

PROSPECTUS  
April 20, 2018 THROUGH April 19, 2019  
EASTERN MENNONITE MISSIONS

A Pennsylvania Private, Not-For-Profit, Religious Corporation

\*\* \*\* \*

\$12,000,000 of Notes in Four Categories

| Type of Note                                | Interest Rate | Minimum Purchase |
|---|---------------|------------------|
| Interest-Free Promissory Demand Notes       | 0.00%         | \$500.00         |
| 0.25% Per Annum Promissory Demand Notes     | 0.25%         | \$500.00         |
| 0.50% Per Annum One Year Promissory Notes   | 0.50%         | \$500.00         |
| 1.50% Per Annum Three Year Promissory Notes | 1.50%         | \$500.00         |

\*\* \*\* \*

This Prospectus contains essential information about the issuer and the notes being offered hereby. Persons are advised to read this Prospectus carefully prior to making any decision to purchase these notes. Purchasers should also be aware of the two day right of withdrawal given to them under the Pennsylvania Securities Act of 1972 as described in the Notice of Right of Withdrawal Section on page 15 of this Prospectus.

**RISK FACTORS:** Purchasers should be aware that Eastern Mennonite Missions is a religious, charitable organization which depends upon freewill gifts and offerings (See Risk Factor 1 - page 2) and which may, to further its religious and charitable purposes, donate its assets to other church groups or religious organizations. (See Risk Factor 9 - page 3.) Purchasers are cautioned that if a significant number of note holders were to demand payment within this year, the annual income of Eastern Mennonite Missions would be insufficient to pay the notes in total. (See Risk Factor 3 - page 3.)

This offering is being sold on a best efforts basis. There is no assurance that all notes in the full amount will be sold. The method of promotion of these notes will be designed to reach members and congregations within the Anabaptist fellowship of churches. This offer is specifically to such members and congregations. There is no public market for the notes offered herein. Eastern Mennonite Missions does not undertake to maintain any market in the resale of these notes prior to maturity. The notes are not insured by the Federal Deposit Insurance Corporation (FDIC), the Securities Investor Protection Corporation (SIPC) or any other state or federal institution.

**LIMITED CLASS OF PURCHASERS:** This offer is limited to persons who are, prior to the receipt of this Prospectus, members of, contributors to (including investors in) or participants in Anabaptist Churches or in Eastern Mennonite Missions or in any program, activity or organization which constitutes a part of the Anabaptist Churches or Eastern Mennonite Missions or in any other church organizations that have a programmatic relationship with the Anabaptist Churches or Eastern Mennonite Missions.

Eastern Mennonite Missions will be Fiscal and Paying Agent for the interest and principal amounts of these notes.

The initial interest rates on these notes may vary. (See Description of Notes Offered - page 13.) These notes have not been registered with the Federal Securities and Exchange Commission in reliance on the exemption contained in Section 3 (a) (4) of the Securities Act of 1933, as amended.

THIS OFFER IS SUBJECT TO CERTAIN RISK FACTORS DETAILED HEREIN  
AS SET FORTH ON PAGE 2 OF THE PROSPECTUS.

Date of Prospectus: April 20, 2018

EASTERN MENNONITE MISSIONS  
53 West Brandt Boulevard  
P.O. Box 458  
Salunga, Pennsylvania 17538-0458  
Phone 717-898-2251

- A. THE NOTES HEREBY OFFERED HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE PENNSYLVANIA DEPARTMENT OF BANKING AND SECURITIES, NOR HAS THE DEPARTMENT PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.
- B. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE DISCLOSURE, MERITS AND RISKS INVOLVED.
- C. THE NOTES ARE NOT SAVINGS OR DEPOSIT ACCOUNTS OR OTHER OBLIGATIONS OF A BANK AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, ANY STATE BANK INSURANCE FUND OR ANY OTHER GOVERNMENTAL AGENCY. THE PAYMENT OF PRINCIPAL AND INTEREST TO AN INVESTOR IS DEPENDENT UPON THE ISSUER'S FINANCIAL CONDITION. ANY PROSPECTIVE INVESTOR IS ENTITLED TO REVIEW THE ISSUER'S FINANCIAL STATEMENTS, WHICH SHALL BE FURNISHED AT ANY TIME DURING BUSINESS HOURS UPON REQUEST. THE NOTES ARE NOT OBLIGATIONS OF, NOR GUARANTEED BY, THE LANCASTER MENNONITE CONFERENCE OR BY ANY CHURCH, CONFERENCE, INSTITUTION OR AGENCY AFFILIATED WITH THE LANCASTER MENNONITE CONFERENCE.
- D. INVESTORS ARE ENCOURAGED TO CONSIDER THE CONCEPT OF INVESTMENT DIVERSIFICATION WHEN DETERMINING THE AMOUNT OF NOTES THAT WOULD BE APPROPRIATE FOR THEM IN RELATION TO THEIR OVERALL INVESTMENT PORTFOLIO AND PERSONAL FINANCIAL NEEDS.
- E. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THIS OFFERING OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED ON AS HAVING BEEN MADE BY THE ISSUER.
- F. THE ANTICIPATED NET PROCEEDS OF THIS OFFERING FOR NEW NOTES ARE ESTIMATED TO BE \$5,000,000. IN ADDITION, IT IS ANTICIPATED THAT NET PROCEEDS FROM EXISTING NOTES REINVESTED WILL BE APPROXIMATELY \$7,000,000. SEE NOTE 8 TO FINANCIAL STATEMENTS. ALL EXPENSES OF THIS OFFERING, INCLUDING PRINTING, MAILING, ATTORNEYS' FEES, ACCOUNTANTS' FEES AND FILING FEES WILL BE BORNE BY EASTERN MENNONITE MISSIONS AND ARE ESTIMATED TO BE APPROXIMATELY \$31,000. SEE "USE OF PROCEEDS/ INVESTING ACTIVITIES" SECTION OF THIS PROSPECTUS (PAGE 5).

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## SUMMARY

1. The Organization. Eastern Mennonite Missions is a not-for-profit corporation organized by the Lancaster Mennonite Conference (LMC), to carry out the charitable and missionary purposes of the Lancaster Mennonite Conference churches in its constituent region. Eastern Mennonite Board of Missions and Charities was formed and has operated since 1914, with headquarters located in Salunga, Lancaster County, Pennsylvania. In 1993, the Board registered the name Eastern Mennonite Missions for its use as a fictitious name, and then registered EMM as an additional fictitious name in 2008. Eastern Mennonite Missions receives its support from Mennonites of the Lancaster Mennonite Conference and related groups. The majority of these members live in sixteen states along the eastern seaboard. (See History and Objectives of Eastern Mennonite Missions - page 2.)

2. Use of Proceeds. The funds raised from this offering are used to build and acquire buildings and churches for Eastern Mennonite Missions. Funds are also made available to Mennonite churches and other Anabaptist and related institutions to assist them in the erection of the facilities and churches they need. (See Use of Proceeds - page 5.)

3. Management. The Board of Directors is responsible to govern the affairs of Eastern Mennonite Missions. Its directors are: Brian Martin, a Pastor (the chairperson), Kenneth Sensenig, an Administrator (the vice-chairperson), Cedric Roth, a Youth Pastor (the secretary), Kent Hartzler, President & CEO of a Credit Union (the treasurer); Lawrence Brenneman, a retired School Teacher; Lyn D. Carlson, a Teacher; Laurie Gingrich, a Registered Nurse; Akeia Haddox-Rossiter, an Outreach Coordinator; Stanley Green, President of a Mission Agency; Tuyen Nguyen, a Bishop and Janet Weber, a retired Church Administrator. Eastern Mennonite Missions officers and directors serve without pay. Administrators and staff persons serve on salaries not in excess of \$90,492 (salary year 2017 amount) annually. Nelson Okanya, a staff member, serves as President, and Gerry Keener, a staff member, serves as Executive Vice President. (See Composition of Eastern Mennonite Missions - page 9, and Eastern Mennonite Missions Board of Directors, 2018 - page 11.)

4. Description of Securities. Promissory notes are being offered in four categories:
- a. interest-free promissory demand notes;
  - b. 0.25% per annum promissory demand notes;
  - c. 0.50% per annum one-year promissory notes;
  - d. 1.50% per annum three-year promissory notes.

The promissory notes are the unsecured promise of Eastern Mennonite Missions to pay. The interest rates offered for notes may vary. Interest rate changes will be stated in a supplement to this Prospectus, which will bear the date of the change and accompany all copies after that date. Any note may be called and repaid after two years from date of issue. (See Description of Notes Offered and Interest Rate Changes - pages 13 & 14.)

5. Summary Income Statement. Eastern Mennonite Missions relies almost entirely on the freewill gifts and offerings of those who support it. For the year ended December 31, 2017, Eastern Mennonite Missions had a total decrease in net assets in the amount of \$495,026, of which there was an increase of \$123,293 in restricted net assets and a decrease of \$618,319 in unrestricted net assets. Of this decrease, \$602,759 stems from the transfer to the Mennonite Historical Society (See Note 15 and also Statements of Activities of Financial Statements.)

6. Summary of Select Historical Financial Information:

| Eastern Mennonite Missions – Summary of Select Historical Financial Information |              |              |              |              |              |
|---|--------------|--------------|--------------|--------------|--------------|
|   | 2017         | 2016         | 2015         | 2014         | 2013         |
| Cash & Equivalents and Marketable Securities                                    | \$4,736,799  | \$5,069,957  | \$8,716,414  | \$9,446,593  | \$7,609,172  |
| Total Note and Mortgage Receivables   | \$24,683,381 | \$26,004,136 | \$22,753,377 | \$25,271,452 | \$29,286,205 |
| Unsecured Notes in above total  | \$243,936    | \$181,416    | \$32,687     | \$44,150     | \$188,688    |
| Percent Unsecured Notes   | 0.99%        | 0.70%        | 0.14%        | 0.17%        | 0.64%        |
| Percent of Mortgage/Note Delinquencies*   | 2.28%        | 2.50%        | 0.25%        | 0.00%        | 0.16%        |
| Total Assets  | \$31,842,878 | \$33,875,161 | \$34,313,530 | \$36,673,422 | \$38,889,058 |
| Total Notes Payable   | \$14,877,597 | \$16,248,133 | \$16,124,180 | \$18,113,155 | \$20,356,396 |
| Repayment of Notes Payable  | \$2,329,776  | \$1,073,518  | \$2,662,198  | \$2,885,672  | \$2,882,497  |
| Other EMM Long Term Debt  | 0            | 0            | 0            | 0            | 0            |
| Net Assets  | \$14,628,246 | \$15,123,272 | \$15,587,383 | \$15,913,938 | \$15,723,727 |
| Change in Net Assets  | (\$495,026)  | (\$464,111)  | (\$326,555)  | \$190,211    | \$140,629    |

\* -- For purposes of the above table, the term "Delinquencies" refers to mortgages/notes other than those that are either: (1) current and being repaid per their terms or (2) current and being repaid pursuant to a written loan modification agreement, with any and all such modification agreements requiring regular payment of all mortgage/note interest and at a modified principal amount to Eastern Mennonite Missions. Less than ten percent (10%) of all total note and mortgage receivables currently have loan modification agreements. (See also Risk Factor 13 - page 4, and the Purpose and Record of Prior Borrowing - page 6.)

7. Additional Information. The remainder of this Prospectus contains substantial additional information about Eastern Mennonite Missions, its financial condition and risk factors connected with the offering. This information should be reviewed carefully by prospective note purchasers.

## HISTORY AND OBJECTIVES OF EASTERN MENNONITE MISSIONS

The Mennonite Churches had their beginning in Europe about 1525 during the early days of the Reformation. The tenets of Mennonite faith include the notion of a voluntary, believing, disciplined community, of love and nonresistance, of separation of church and state and of evangelism and missions.

In October of 1913, individual Mennonites belonging to the Lancaster Mennonite Conference presented a petition to the Lancaster Mennonite Conference requesting “our mission to organize a Board to take care of funds as may be donated or bequeathed for charitable and missionary purposes.”

As a result, in January of 1914 Eastern Mennonite Board of Missions and Charities was formed. By June of the same year, Eastern Mennonite Board was fully operational. In 1916, Eastern Mennonite Board was incorporated as a Pennsylvania not-for-profit corporation. In its initial 20 years, Eastern Mennonite Board was active only within the United States. In 1934, the first overseas mission was organized in East Africa. In 1993, the name Eastern Mennonite Missions was adopted. As of December 31, 2008, a restructuring occurred with the Executive Committee of the former Board becoming the major part of a much smaller Board of Directors. The former Board was expanded and became a Representative Council. The Representative Council was disbanded after their last meeting in 2017. For additional information on current governance of Eastern Mennonite Missions, see the Composition of Eastern Mennonite Missions section on page 9 of this Prospectus.

Eastern Mennonite Missions is organized and operated exclusively for religious, educational, benevolent and charitable purposes. It is exempt under Section 501 (c) (3) of the Internal Revenue Code of 1986, as amended, from taxation under Subtitle A thereof. No part of the net earnings of Eastern Mennonite Missions inures to the benefit of any person or individual. Eastern Mennonite Missions is a not-for-profit corporation and does not have any shareholders.

The objectives of Eastern Mennonite Missions are set forth in its constitution as follows:

“To lead and support the proclamation of the good news of Jesus Christ; To promote the establishment and growth of communities of believers and to work in partnership and coordination with developing churches; To enable the providing of relief and community development services; To educate, support and promote the revitalization of individuals and communities of people, especially where Jesus is less well-known; To encourage and utilize means of creative access, such as business as mission; To encourage development of and partnership with other mission-sending groups, especially among those churches initiated by Eastern Mennonite Missions’ mission teams; To promote mission and relief interests.”

## RISK FACTORS

1. Financial Condition of Eastern Mennonite Missions. Eastern Mennonite Missions experienced, for the year ended December 31, 2017, a total decrease in net assets of \$495,026. (See Financial Statements - Statements of Activities.) Eastern Mennonite Missions had a total decrease in net assets of \$464,111 for the year ended December 31, 2016. Eastern Mennonite Missions attempts to have revenues meet expenses. There can be no assurances that revenues to Eastern Mennonite Missions will meet expenses in future years. Eastern Mennonite Missions relies almost entirely on the freewill gifts and offerings of those who support the organization.

2. Financial Conditions of Donors. The notes to be issued pursuant to this offering are unsecured, and the repayment of the principal and the payment of interest thereon are dependent upon the financial condition of the following entities:

a. The Issuer. The issuer will use proceeds from the sale of these notes in the organization’s own capital program. (See Use of Proceeds - page 5.) The issuer is dependent upon charitable contributions for the operation of the organization’s program. There is no assurance that contributions will continue, and the program of the issuer would be jeopardized if contributions did not continue. The level of contributions is dependent upon the financial condition of the churches and individuals of the Lancaster Mennonite Conference and related churches who have supported Eastern Mennonite Missions, and is further dependent upon their satisfaction with and continued support of the work of Eastern Mennonite Missions.

b. Other Mennonite Agencies. The issuer will also use proceeds from the sale of these notes to lend monies to churches and other Anabaptist and related agencies. (See Use of Proceeds - page 5.) These loans are made on liberal terms with modest interest rates. There can be no assurance that these loans will be repaid because the agencies to which the loans are made are themselves not-for-profit charitable organizations, dependent upon contributed funds.

3. Demand for Note Repayment. As of December 31, 2017, Eastern Mennonite Missions had borrowed, by means of the sale of notes similar to those offered in this Prospectus, \$14,877,597 (See Financial Statements - Statements of Financial Position, Liabilities.) A large number of these notes are due on demand or fall due within this calendar year. If a large number of the demand notes were presented for payment, or if investors holding notes falling due would not reinvest those funds, the annual receipt of donations by Eastern Mennonite Missions would be insufficient to meet the principal requirements of the outstanding notes issued by Eastern Mennonite Missions. (See Donation Levels – page 8.)

4. No Refunds. This is a best efforts offering. Subject to the two business day Right of Withdrawal (see page 15), no provisions have been made for the refund of subscribers' investments should all the offering not be sold.

5. No Market for Note Sales. There is no public market for the resale of the notes, and it is highly unlikely that a market will develop. Consequently, investors may not be able to resell any notes purchased prior to their due dates. Investors should, therefore, view the purchase of a note as an investment for the full term of the note.

6. Additional Borrowings. This issue may be subordinated to any additional borrowings from banks or other lending institutions. During the year 2017, Eastern Mennonite Missions did not draw from their line of credit from Union Community Bank. (See Note 7 to Financial Statements.) If Eastern Mennonite Missions should need to borrow additional funds from banks or other lending institutions, such borrowing will not exceed their tangible assets.

7. Interest Taxable. It is the opinion of counsel for the issuer that under present law those notes bearing interest will be taxable each year for both Pennsylvania and federal income tax. Even though interest is not paid annually on certain notes, but is accrued until a future year, interest will be taxable for both Pennsylvania and federal income tax purposes each calendar year. (See Description of Notes Offered - page 13.) If interest paid is below the market interest, the Internal Revenue Service (IRS) may impute income up to the market interest level. The IRS may exempt certain loans, including gift loans to charitable organizations, if the amount does not exceed \$250,000. (See also Tax Consequences - page 13.)

8. No Funds Set Aside to Repay Notes. No "sinking fund" will be established by Eastern Mennonite Missions for the repayment of these notes. The absence of a sinking fund may adversely affect Eastern Mennonite Missions' ability to repay the notes. There is also to be no trust indenture, trust fund or trustee in connection with this offering.

9. Intention to Gift Assets. Eastern Mennonite Missions has given and will continue to give away its church property assets to local church groups or ministry assets related to its own program to Anabaptist-related entities without compensation. Total net book value of domestic church property subject to gifting, as of December 31, 2017, was \$26,709. (See Note 6 to Financial Statements.)

10. Charitable Purposes. Eastern Mennonite Missions is a not-for-profit organization that endeavors to expend as much of its support and revenue as possible for its charitable purposes. Therefore, it is likely that the organization's excess of public support and revenue over expenses will be kept to a minimal amount.

11. Employee Retirement Plans. Subject to a limit on senior secured indebtedness of an amount not greater than 10% of Eastern Mennonite Missions' tangible net assets, obligations to retired employees take priority over the payment of interest and principal on the notes issued pursuant to this offering. Subject to the 10% limit above, retired employee obligations cannot be decreased if the income to Eastern Mennonite Missions decreases. Eastern Mennonite Missions has employees in two plans:

a. Defined Contribution Plan. Eastern Mennonite Missions, on January 1, 1994, adopted a defined contribution plan for its employees. Under the provisions of the plan, contributions of \$230,055 were made in 2017 to the plan for the benefit of each employee meeting certain age and service requirements. For employees based in the United States, effective January 1, 2009, the amount contributed for each such employee is 6% of such employee's monthly salary. For employees not based in the United States, on January first of each year, contributions will be adjusted based on the annual consumer price index as of the preceding June 30. Contributions to this plan totaled \$229,641 for the year ended December 31, 2016. (See Note 11 to Financial Statements.)

b. Defined Benefit Plan. Plan participants eligible to receive benefits prior to December 31, 1993, receive up to a 3% annual increase in benefits. The funded status of the plan, calculated in accordance with generally accepted accounting principles, indicates an asset pertaining to the pension plan of \$86,108 (See Note 11 to Financial Statements.) If the actuarial assumptions used to calculate these obligations are different than the actual results of the plan's activities, additional funding may be required. Eastern Mennonite Missions may also decide to increase benefits in the future, and such additional obligations will require funding.

12. Senior Secured Indebtedness. Subject to a limit on senior secured indebtedness of 10% of Eastern Mennonite Missions' tangible net assets, investors on the notes will be paid interest and repaid principal only after Eastern Mennonite Missions pays obligations Eastern Mennonite Missions owes to retired Eastern Mennonite Missions employees. Financial information on Eastern Mennonite Missions' retirement obligations payable is set forth in Risk Factor 11, above.

13. Lending Activity. Eastern Mennonite Missions lends funds to other agencies within the Anabaptist denominations. These loans are evaluated and made by an investment committee of Eastern Mennonite Missions. These loans are on liberal terms with modest interest rates. Loans may be made to churches, retirement centers, schools, camps and behavioral health facilities. Of the total outstanding loans made by Eastern Mennonite Missions to such agencies, the actual losses have historically been less than 0.1%. Interest rates on loans are determined by the Eastern Mennonite Missions Investment Committee reviewing its total cost of notes payable to obtain the average as a percentage and then adding at least one percent to determine the rate of interest charged to churches and church agencies on mortgages receivable. This is adjusted annually in April.

14. Loans Used for Capital Facilities. Eastern Mennonite Missions used prior borrowing to construct or purchase capital facilities such as church buildings, training centers and retirement centers. Such major capital facilities cannot be financed from the cash flow in any one year. Borrowed funds were used to finance immediate capital projects. Funds used to purchase or construct church buildings generate no assured income from user charges. All income is dependent solely on the freewill gifts and offerings of those who use such facilities.

15. Loan Policies. Eastern Mennonite Missions lends at interest rates less than current market rates and has loan acceptance policies which allow loans up to 75% of the lower of the purchase price or appraisal. These policies may be more liberal than those of commercial lenders.

16. Early Repayment. Any note may be called and repaid after two years from the date of issue. (See "Redemption of Notes" on page 14). Interest will accrue to the date of redemption.

17. Changes in Federal and/or State Laws. Future changes in federal or state law might adversely affect the ability of Eastern Mennonite Missions to continue to sell its notes in the future.

18. Interest Rates on Notes Not an Indicator of Repayment Ability. While the rates of note interest offered under this Prospectus might be considered an indicator of the repayment ability of Eastern Mennonite Missions, no such inference is intended by Eastern Mennonite Missions and any such inference is hereby disclaimed. The notes are not insured by any government agency, including the Federal Deposit Insurance Corporation (FDIC), the Securities Investor Protection Corporation (SIPC) or any other state or federal agency or institution. See the Cover Page of this Prospectus, "Risk Factor" section, third paragraph, last sentence and Cover Page item C (both stating similarly). Also, payment of note interest and repayment of principal is not insured by any private insurance company.

19. Marketable Securities—Market Risk. Certain Eastern Mennonite Missions assets are in the form of marketable securities. For the year ended December 31, 2017, the amount as set forth on the Statement of Financial Position for Eastern Mennonite Missions is \$429,772. These liquid assets are subject to various market risks which may result in losses if market values of investments decline.

20. Possible Future Investment in Equity Securities. In addition, Eastern Mennonite Missions is considering possible investment of a small portion of its own operating net assets (not funds derived from the sale of the promissory notes as described in this Offering Circular) in marketable securities, including possibly publicly-traded equity securities. Such equity securities might include stocks, bonds, mutual funds, closed end funds, ETFs and similar instruments. Eastern Mennonite Missions will use its own net assets to acquire such marketable (including equity) securities, if at all. Prior to any such investment, the Eastern Mennonite Missions Board and/or Investment Committee will propound guidelines to limit the amount of such investments, either by maximum percentage of net assets or maximum dollar amount of such investment. As indicated above, marketable securities are subject to various market risks which may result in a loss of principal if the market values of such investments decline. Such loss of principal could negatively impact Eastern Mennonite Missions' ability to repay the Notes.

21. No Assurance as to Amount of Net Assets. Eastern Mennonite Missions experiences variability in the amount of its net assets. Variability in net assets occurs because of, among other factors, variation in amounts received as donations, program commitments and Board policies including those as to appropriate and desired asset levels. Net assets can be viewed as an indicator of an organization's financial strength. Eastern Mennonite Missions expects the above and similar factors to continue in the future, meaning the amount of net assets is anticipated to continue to fluctuate, including possible decreases.

## OPERATIONS OF EASTERN MENNONITE MISSIONS

Eastern Mennonite Missions is committed to the growth of Christian churches around the world. In 2017, 138 short and long-term mission workers served in 35 countries. Eastern Mennonite Missions employs 38 administrative personnel at its administrative headquarters in Salunga, Pennsylvania. Eastern Mennonite Missions is dependent on gifts to support its mission activities.

### RELATIONSHIP TO MENNONITE CHURCH

The Lancaster Mennonite Conference, of which a majority of Directors of Eastern Mennonite Missions are members and from which most of the support for Eastern Mennonite Missions' budget comes, consists of 180 congregations with an adult membership of 14,968 as of January 1, 2018. A majority of the congregations in the Lancaster Mennonite Conference have contributed to the financial support of Eastern Mennonite Missions and encourage their membership to give. While Eastern Mennonite Missions is financially autonomous from the Lancaster Mennonite Conference and the member churches of the Lancaster Mennonite Conference, Eastern Mennonite Missions is affiliated with the Lancaster Mennonite Conference through a common religious identification and through their common interest in furthering the faith and well-being of the church. All the debts and liabilities incurred by Eastern Mennonite Missions are independent of the financial structure of the Lancaster Mennonite Conference or any unit or congregation of the denomination; such entities will have no obligation with respect to the notes which are offered by this Prospectus.

### USE OF PROCEEDS / INVESTING ACTIVITIES

The proceeds received from the sale of the promissory notes offered in this Prospectus are used for investment in Eastern Mennonite Missions facilities, churches and other Mennonite and related agencies. (See Purpose and Record of Prior Borrowing - page 6.) It is the intent of Eastern Mennonite Missions to use proceeds received from this sale in the same manner as they have used proceeds from prior borrowings. First priority is given to investing in Eastern Mennonite Missions' own capital needs. An example of this is our purchase in 2015 of certain real estate (land and buildings) presently intended for EMM's future headquarters. Second priority of investing is in other Anabaptist churches and agencies. Initial investing in any one agency is limited to 20% of total Loan and Trust Fund assets, and investing in any one market segment of non-Eastern Mennonite Missions investments such as retirement centers, church schools and camps is limited to 40% of total Loan and Trust Fund assets. Eastern Mennonite Missions will invest the additional proceeds in certificates of deposit or marketable debt securities pending their utilization by Eastern Mennonite Missions. None of the proceeds of the sale of promissory notes offered in this Prospectus will be used to add to Eastern Mennonite Missions' marketable equity securities (for more information on our equity securities, see Note 3 to the Financial Statements). Eastern Mennonite Missions has acquired equity securities as either outright gifts from donors or estates, or in conjunction with charitable remainder trusts and similar agreements relating to property (equity securities) provided by such donors for combined donor income/philanthropic purposes. Specifically, the Trust Fund receives both cash and marketable securities when donors enter into life income agreements with Eastern Mennonite Missions. Cash from the Trust Fund is invested by the Investment Committee according to the Committee's guidelines. When Trust Fund donors give stocks, bonds, mutual funds and similar marketable securities to fund their life income agreements, the Investment Committee monitors and manages such marketable securities, but generally is not empowered to alter the nature of the investment (marketable security) selected by the donor. Generally, on the death of the donor, Eastern Mennonite Missions liquidates the donor's marketable securities or converts the same to cash or cash-equivalent investments, and Eastern Mennonite Missions then uses those funds for its own purposes as discussed above in this "Use of Proceeds/ Investing Activities" Section. As stated above, note proceeds are not used to invest in marketable securities. Similarly, the amount of marketable securities held each year will increase or decrease with market fluctuation, will increase by new contracts issued and will decrease when matured.

A table summarizing the distribution of select Eastern Mennonite Mission's assets is set forth below:

#### SELECTED ASSETS (December 31 of the years indicated)

|   | <u>2017</u>         |               | <u>2016</u>         |               | <u>2015</u>         |               |
|---|---------------------|---------------|---------------------|---------------|---------------------|---------------|
| Cash and cash equivalents   | \$4,307,027         | (15%)         | \$4,667,329         | (15%)         | \$8,364,064         | (26%)         |
| Marketable securities   | 429,772             | (1%)          | 402,628             | (1%)          | 352,350             | (1%)          |
| Receivables (primarily from Mennonite individuals and organizations): |                     |               |                     |               |                     |               |
| Advances  | 307,833             |               | 336,537             |               | 389,142             |               |
| Interest  | 56,885              |               | 50,777              |               | 47,389              |               |
| Loans   | 0                   |               | 0                   |               | 0                   |               |
| Notes   | 243,936             |               | 181,416             |               | 32,687              |               |
| Mortgages   | 24,439,445          | (84%)*        | 25,822,720          | (84%)*        | 22,720,690          | (73%)*        |
| Total   | <u>\$29,784,898</u> | <u>(100%)</u> | <u>\$31,461,407</u> | <u>(100%)</u> | <u>\$31,906,322</u> | <u>(100%)</u> |

\* - Total of all five categories of "Receivables."



For a complete listing of assets, please see the Eastern Mennonite Missions' Statements of Financial Position within the Financial Statements.

Eastern Mennonite Missions may use part of the proceeds of this offering to service or refinance its outstanding debt obligation.

Eastern Mennonite Missions does not maintain a sinking fund but does attempt to keep at least 10.0% of Loan Fund assets in cash and cash equivalents to make it possible to cover any significant withdrawals of notes.

The Investment Committee, comprised of the following eight persons, has the responsibility of recommending to the President for approval of loans: Chairman Kent Hartzler, President & CEO of Everence Federal Credit Union;; Vernon Good, Controller at Paul B. Zimmerman, Inc.; Aaron Groff, President of Ephrata National Bank; Jay Hershey, Assistant Vice President Agricultural Lending at BB&T Bank; Brian Martin, Pastor/EMM Board Chair; Edward Miller, Real Estate Lawyer at Blakinger Thomas, P.C.; Bryan Moyer, Director of Commercial Lending at Univest; Bruce O'Neil, Branch Manager at BB&T; Dwight Rohrer, Vice President of Lending at National Penn Bank; and three Eastern Mennonite Missions staff persons, Steven Martin, Finance Director; Don Brubaker, Finance Manager; and Trisha Good, Investment Fund Manager.

No underwriters are participating in the distribution of the notes, and no underwriting discounts or commissions will be paid in connection with this offering. All expenses of this offering, including printing, mailing, attorneys' fees, accountants' fees and filing fees will be borne by Eastern Mennonite Missions and are estimated to be approximately \$31,000. Sales of the notes will be effected solely by the employees of Eastern Mennonite Missions. (See Plan of Distribution - page 15.)

| CAPITALIZATION                                      |                     |
|---|---------------------|
| CAPITALIZATION TABLE                                | As of 12/31/2017    |
| Liabilities:  |                     |
| Accounts Payable                                    | <b>\$268,450</b>    |
| Interest Payable                                    | <b>69,725</b>       |
| Notes Payable                                       | <b>14,877,597</b>   |
| Deferred Revenue                                    | <b>1,289</b>        |
| Revocable Trust Funds                               | <b>231,150</b>      |
| Endowments & Trusts Held for Others                 | <b>399,481</b>      |
| Annuity and Charitable Remainder Unitrust Liability | <b>1,366,940</b>    |
| <b>Total Liabilities</b>                            | <b>17,214,632</b>   |
| Net Assets:   |                     |
| Unrestricted Net Assets:                            |                     |
| Funds Designated for Mission Programs               | <b>2,603,213</b>    |
| Undesignated  | <b>8,609,967</b>    |
| <b>Total Unrestricted Net Assets</b>                | <b>11,213,180</b>   |
| Temporarily Restricted Net Assets                   | <b>3,391,961</b>    |
| Permanently Restricted Net Assets                   | <b>23,105</b>       |
| <b>Total Net Assets</b>                             | <b>14,628,246</b>   |
| <b>Total Liabilities and Net Assets</b>             | <b>\$31,842,878</b> |

#### PURPOSE AND RECORD OF PRIOR BORROWING

As of December 31, 2017, Eastern Mennonite Missions had borrowed from investors \$14,877,597 through the sale of promissory notes. (See Financial Statements - Statements of Financial Position, and Note 8 to Financial Statements.) A breakdown of the maturity dates for all notes is set forth in tabular form in Note 8 of the Financial Statements included with this Prospectus. A breakdown of the maturity dates for all loans held by Eastern Mennonite Missions is set forth in tabular form at Note 5 of the Financial Statements included within this Prospectus. The notes payable were borrowed for the following purposes, and as of December 31, 2017, were used in the following manner:

a. Eastern Mennonite Missions has \$4,307,027 available in a short-term liquid form such as cash, certificates of deposit or money market funds. (See Financial Statements - Statements of Financial Position, Assets.) As of December 31, 2017, the Investment Committee of the Eastern Mennonite Missions had approved loan applications totaling \$3,790,000 of which \$1,927,804 has been advanced. Even if such short-term liquid assets are exceeded by the amount of the indicated approved loan commitments, EMM does not anticipate adverse

consequences given, among other factors, the nature and timing of the loans committed to. (See Note 2 to Financial Statements.) Interest earned on these deposits help defray the costs of borrowing.

b. Eastern Mennonite Missions used prior borrowing to construct or purchase capital facilities such as church buildings, training centers and retirement centers. Such major capital facilities cannot be financed from the cash flow in any one year. Borrowed funds were used to finance immediate capital projects. Funds used to purchase or construct church buildings generate no assured income from user charges. All income is dependent solely on the freewill gifts and offerings of those who use such facilities.

c. Eastern Mennonite Missions also serves as a capital resource for other agencies within the Anabaptist denominations. These agencies include churches, retirement centers, schools, mission boards, camps and behavioral health facilities. From time to time, these Anabaptist agencies approach Eastern Mennonite Missions to borrow money to fund their projects. To date, substantially all of these loans have been paid off as scheduled. In the past 50 years, all loans have been fully repaid with two exceptions. The exceptions were: (1) a residential mortgage in Brooklyn, New York where Eastern Mennonite Missions sustained losses following a 2005 New York City foreclosure for unpaid real estate taxes, interest and penalties; (2) a church project in Washington, D.C. where Eastern Mennonite Missions received a deed in lieu of foreclosure in 2000 that substantially minimized Eastern Mennonite Missions losses (Eastern Mennonite Missions received all of its principal back and most, but not all, of its interest). As of December 31, 2017, \$24,439,445 was secured by interest-bearing first mortgages. (See Statements of Financial Position.) In a few cases, purchase money mortgages were left in properties sold to non-constituency members.

d. Loans Receivable are recorded when Eastern Mennonite Missions purchases a church building for a congregation but holds the deed until the congregation has sufficient equity in the building to take the deed and record a mortgage for the remaining balance. There were no such loans for such deeds held in trust at December 31, 2017.

e. Nine unsecured Notes Receivables totaling \$243,936 are on record at December 31, 2017.

These loans are administered by a committee appointed by Eastern Mennonite Missions known as the Investment Committee. This committee accounts for these funds independently of all other Eastern Mennonite Missions operations. The Investment Committee has the responsibility to investigate applicants for loans and makes recommendations to the President on loans based upon an evaluation of the ability of the project to repay and upon the need for the project within the Mennonite Church. The loans are made on liberal terms with modest interest rates. The policy of Eastern Mennonite Missions has been to lend its funds to other Mennonite and Anabaptist agencies at a rate of interest which is at least one per cent higher than it is currently paying its investors.

Since its incorporation in 1916, Eastern Mennonite Missions has never missed nor been overdue on a payment of principal or interest on any of its obligations. Eastern Mennonite Missions' outstanding obligations are not secured by any specific asset of Eastern Mennonite Missions and payment is made from Eastern Mennonite Missions' Loan Fund. That fund is augmented by income earned on its investments. The holders of the notes are therefore unsecured creditors of Eastern Mennonite Missions.

Eastern Mennonite Missions reserves less than 2.0% for non-collectible receivables. Actual losses have historically been very low. The slow and tardy accounts 31 to 60 days late have been less than 5.0% during the past four years and the delinquency rate not collectible has been less than two tenths of one percent (0.2%) annually during the past four years.

#### FINANCING AND OPERATIONAL ACTIVITIES

Receivables:

The outstanding notes and mortgages as of December 31, 2017 are due in the following years:

| <u>Due</u> | <u>Total</u>         | <u>Percentage of<br/>Total</u> |
|------------|----------------------|--------------------------------|
| 2018       | \$ 2,696,122         | 11%                            |
| 2019       | 2,049,856            | 8                              |
| 2020       | 1,762,571            | 7                              |
| 2021       | 1,617,385            | 7                              |
| 2022       | 1,712,746            | 7                              |
| thereafter | <u>14,844,701</u>    | <u>60</u>                      |
|            | <u>\$ 24,683,381</u> | <u>100%</u>                    |

See Note 5 to Financial Statements for more information.

## LENDING ACTIVITIES

Eastern Mennonite Missions lends funds to other agencies within the Anabaptist denominations. These loans are evaluated by an investment committee of Eastern Mennonite Missions and recommended to the President for approval. Loans may be made to churches, retirement centers, schools, camps and behavioral health facilities. As set forth in Note 5 to the Eastern Mennonite Missions Financial Statements, Eastern Mennonite Missions has a current mortgage receivable to an eastern Pennsylvania Mennonite organization which exceeds 10% of total notes and mortgages receivable; this receivable had a balance of \$3,432,980 at December 31, 2017 and \$3,571,957 at December 31, 2016. There was one receivable to another eastern Pennsylvania Mennonite organization which had a balance of \$2,335,327 at December 31, 2015, that exceeded 10% of total notes and mortgages receivable at that time. Of the total outstanding loans made by Eastern Mennonite Missions to such agencies, the actual losses have historically been less than 0.1%. Interest rates on loans are determined by the Eastern Mennonite Missions Investment Committee reviewing its total cost of notes payable to obtain the average as a percentage and then adding at least one percent to determine the rate of interest charged to churches and church agencies on mortgages receivable. This is adjusted annually in April. As set forth in Note 5 to the Eastern Mennonite Missions Financial Statements, the outstanding notes and mortgages at December 31, 2017 bear interest at an average rate of 3.55%. Note 5 also has additional information on loan amounts due in each year from 2018 through 2022 and thereafter.

## DONATION LEVELS

Although Eastern Mennonite Missions intends to maintain its current level of operation and meet such requirements with funds from other sources, there is no certainty that donations will continue at current levels or that other sources will be available. These other sources include principal and interest payments on loans made by Eastern Mennonite Missions and the future sales of notes as listed by this Prospectus. There can be no assurance, however, that investments in certificates of deposit and marketable equity securities will be continued or maintained in sufficient amount, or that Eastern Mennonite Missions will be able to sell its notes in the future. A significant portion of these certificates of deposit and marketable equity securities may be needed for operations. (See Financial Statements - Statements of Financial Position, and Notes 2, 3, and 4 to Financial Statements.)

As of December 31, 2017, \$6,131,339 of the notes are due on demand or payable within the next 12 months. Purchasers are cautioned that, if a significant number of holders of notes falling due during the current year present these obligations for payment in the current year, the annual receipts of Eastern Mennonite Missions would be insufficient to meet these repayment requirements. (See Note 8 in the Financial Statements.) In the past, the redemption of promissory notes has been made primarily from proceeds of additional debt rather than from operations. Debt from notes payable has increased from approximately \$1.3 million at January 1, 1971, to \$14.9 million at December 31, 2017. (See Financial Statements - Statements of Financial Position, Liabilities.)

## PROPERTY ACCOUNTS

Included in the 2017 Statement of Financial Position, a total of \$1,528,060 is net property and equipment, which consists principally of land and improvements, institutional properties such as offices and warehouses located in three eastern states, churches and residential properties used as parsonages and related operating equipment. (See Financial Statements - Statements of Financial Position, and Note 6 to Financial Statements.) Purchased property and equipment are recorded at cost; contributed property is recorded at its market value at the date of the gift. All property is depreciated over the estimated useful lives of the assets, including three church and residential properties, which may be contributed to local church groups. Most of Eastern Mennonite Missions property overseas has been transferred into the hands of the local churches in the various countries.

Eastern Mennonite Missions may, at its sole discretion, donate church properties to the congregations or ministry assets related to its own program to Anabaptist-related entities. Eastern Mennonite Missions is not a business corporation operating for profit, nor does it generally make decisions as to its church properties or ministry assets with the view to preserve its assets for the protection of investors. Subject to fulfilling Eastern Mennonite Missions' fiduciary obligation to repay note holders, investors should expect that, at any time, the church building assets or ministry assets of Eastern Mennonite Missions will be given away, provided such donation does not jeopardize Eastern Mennonite Missions' ability to repay the notes. The Board of EMM passed a resolution to convey a ministry-related building and this action was completed in December 2017 as a transfer to the Lancaster Mennonite Historical Society. This transfer, which reduced net assets by \$602,759, was comprised of net property and equipment totaling \$391,115 and cash totaling \$211,644. Three church and parsonage buildings included in net assets have a net book value of \$26,709 as of December 31, 2017. (See Note 15 and Note 6 in the Financial Statements.)

Eastern Mennonite Missions' past practice had been to acquire properties in areas where new churches are forming. Church and residential properties acquired prior to 1989 are included as property and equipment because Eastern Mennonite Missions only requested partial repayment of the cost of acquired properties from developing churches. Beginning with properties acquired in 1989, Eastern Mennonite Missions has entered into agreements with developing churches for the repayment of the cost of acquired church properties, generally over fifteen years at reduced interest rates. These properties are not reflected as property and equipment because the local congregations intend to fully repay the cost of the acquired properties and Eastern Mennonite Missions intends to transfer titles for these properties. One such property was recorded as a Loans Receivable and has been paid in full. Eastern Mennonite Missions intends to transfer the title to this property at its discretion.

#### TEMPORARILY RESTRICTED AND PERMANENTLY RESTRICTED NET ASSETS

Certain assets of Eastern Mennonite Missions are restricted by both purpose and time restrictions. For the year ended December 31, 2017, \$3,415,066 of the assets of Eastern Mennonite Missions were restricted. (See Financial Statements - Statements of Financial Position - Liabilities and Net Assets, and Note 12 to Financial Statements.) During 2017, \$3,381,690 was released from donor restrictions by Eastern Mennonite Missions incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by the donors in that period. (See Note 13 to Financial Statements.)

#### ENDOWMENT, TRUST, AND LIFE INCOME FUNDS

Eastern Mennonite Missions is also Trustee for funds consisting of cash, bonds, stocks or other securities. These funds have arisen through wills that created trusts, and through revocable and irrevocable lifetime trust arrangements. These funds are administered separately from the proceeds of the sale of the notes offered in this Prospectus. No proceeds of this offering are used to administer these trusts. For the year ended December 31, 2017, revocable trust funds total \$231,150 and the annuity and charitable remainder unitrust liability amounted to \$1,366,940. Endowments and trusts for other Mennonite organizations amounted to \$399,481 as of December 31, 2017. (See Financial Statements - Statements of Financial Position - Liabilities and Net Assets, and Note 9 to Financial Statements.)

#### COMPOSITION OF EASTERN MENNONITE MISSIONS

The Board of Directors shall consist of twelve to fourteen Directors: one Bishop Representative and eleven to thirteen at large Directors. Directors of Eastern Mennonite Missions must be members in good standing of a congregation of the Mennonite Church or one that identifies itself as Anabaptist. At least eight Directors shall be members of Lancaster Mennonite Conference (LMC) congregations and at least four members shall be non-LMC members. The LMC Bishop Board Executive Committee shall appoint a bishop to serve a three-year term and also represent LMC. The Nominating Committee shall nominate individuals with the special skills and experience needed for governance. Each Nominating Committee nominee shall be appointed by the LMC Bishop Board Executive Committee for a three-year term. Directors may serve no more than five consecutive full terms with the exception of the Executive Director of Mennonite Mission Network who serves due to his position. The names, appointment dates, positions and professions of the current Eastern Mennonite Missions Board of Directors are hereinafter set forth in a table titled "Board of Directors, Eastern Mennonite Missions". The Board of Directors of Eastern Mennonite Missions has total and final responsibility for the governance of Eastern Mennonite Missions. The Board of Directors list included within this Prospectus lists eleven (11) Directors in office as of the date of this Prospectus. The Nominating Committee is actively recruiting additional Directors. (See list of Directors on page 11)

#### EASTERN MENNONITE MISSIONS - OFFICERS

Eastern Mennonite Missions Board of Directors, composed as set forth above, elects one Board officer each year. The Chair and at least two other officers shall be members of a Lancaster Mennonite Conference congregation. These four Board officers serve four-year terms until a successor is chosen: the Chair, Vice Chair, Secretary and Treasurer. The Chief Executive Officer of Eastern Mennonite Missions shall be a President appointed to a four-year term. The President shall be appointed by the Board. For an initial term, the President is appointed by the Board after affirmation by the LMC Bishop Board.

#### REMUNERATION

Eastern Mennonite Missions has a headquarters staff of 38 persons located in its central offices at 53 W. Brandt Boulevard, Salunga, Pennsylvania, 17538. The highest salaries for 2017 were as follows: Board President (non-voting) and Chief Executive Officer - \$90,492; Executive Vice President and Chief Operating Officer - \$78,780; Advancement Director - \$70,191; Strategic Coach - \$70,191; Finance Director - \$68,839. Other Administrators and staff members serve on salaries not in excess of \$61,963 annually. Board members of Eastern Mennonite Missions receive stipends for attendance at quarterly meetings; the total of all such stipends in 2017 was \$12,552. Other than as noted in this "Remuneration" section, the Board serves without pay or remuneration.

STATEMENTS OF ACTIVITIES

Eastern Mennonite Missions attempts to expend as much of its support, revenue and gains as possible for its charitable purposes. The following chart is a summary of the Statements of Activities of Eastern Mennonite Missions for the past five years. (See Financial Statements - Statements of Activities.)

| Year | Unrestricted Support Revenue and Gains | Unrestricted Expenses And Losses | Changes in Restricted Net Assets | Increase (Decrease) In Net Assets |
|------|--|----------------------------------|----------------------------------|-----------------------------------|
| 2013 | \$8,057,826                            | \$8,163,137                      | \$245,940                        | \$140,629                         |
| 2014 | \$8,609,215                            | \$8,309,780                      | (\$109,224)                      | \$190,211                         |
| 2015 | \$6,880,801                            | \$7,290,252                      | \$82,896                         | (\$326,555)                       |
| 2016 | \$7,019,124                            | \$7,004,469                      | (\$478,766)                      | (\$464,111)                       |
| 2017 | \$6,485,694                            | \$7,104,013                      | \$123,293                        | (\$495,026)                       |

NOTE RENEWALS

Eastern Mennonite Missions anticipates existing holders of promissory notes will renew their notes. A statement of note maturity and history of payouts is produced below:

| Year | Proceeds from Sale of Notes | Notes Matured | Repayment of Notes Payable | Cash Reserves and Marketable Securities |
|------|-----------------------------|---------------|----------------------------|---|
| 2013 | \$1,281,334                 | \$10,659,405  | \$2,882,497                | \$7,609,172                             |
| 2014 | \$642,431                   | \$9,060,546   | \$2,885,672                | \$9,446,593                             |
| 2015 | \$673,223                   | \$7,754,276   | \$2,662,198                | \$8,716,414                             |
| 2016 | \$1,197,471                 | \$7,334,265   | \$1,073,518                | \$5,069,957                             |
| 2017 | \$959,240                   | \$6,620,682   | \$2,329,776                | \$4,736,799                             |

BOARD OF DIRECTORS  
EASTERN MENNONITE MISSIONS  
Directors as of 02/28/2018

| Name                      | Address  | Year Appointed/<br>Term End | Position   | Profession                                  |
|---------------------------|--|-----------------------------|------------|---|
| Brian Martin              | 5559 Division Hwy.<br>Narvon, PA 17555                 | 2014/2020                   | Chair      | Pastor                                      |
| Kenneth Sensenig          | 311 Akron Road<br>Ephrata, PA 17522                    | 2004/2019                   | Vice-Chair | Administrator                               |
| Cedric Roth               | 1430 Brechbill Road<br>Chambersburg, PA 17202          | 2010/2020*                  | Secretary  | Financial Advisor<br>with a Credit Union    |
| Kent Hartzler             | 15 Fence Row Lane<br>Manheim, PA 17545                 | 2012/2021                   | Treasurer  | President & CEO of a Credit Union           |
| Lawrence<br>Brenneman     | 61 Livengood Farm Lane<br>Keyser, WV 26726             | 2017/2021*                  | Director   | Retired School Teacher                      |
| Lyn D. Carlson            | 2590 Saddle Drive<br>Lancaster, PA 17601               | 2018/2021                   | Director   | Teacher                                     |
| Laurie Gingrich           | 317 West Walnut Street<br>Lancaster, PA 17603          | 2018/2021                   | Director   | Registered Nurse                            |
| Stanley Green             | P.O. Box 370<br>Elkhart, IN 46515-0370                 | Ex Officio                  | Director   | President of Mennonite Mission<br>Network   |
| Tuyen Nguyen              | 41 Celestial Way<br>Newark, DE 19711                   | 2014/2020                   | Director   | Bishop                                      |
| Akeia Haddox-<br>Rossiter | 522 22 <sup>nd</sup> Street NW<br>Washington, DC 20052 | 2016/2020*                  | Director   | Outreach Coordinator                        |
| Janet Weber               | 51 Peaceful Lane,<br>Ephrata, PA 17522                 | 2016/2019                   | Director   | Retired Administrator/ACC<br>Representative |

\* Note: Year appointed dates began in the middle of a term due to previous Directors leaving before the end of their term.

## BIOGRAPHIES OF EMM BOARD OF DIRECTORS

Brian Martin serves as Board Chair for the Eastern Mennonite Missions Board of Directors. He is the lead pastor at Weaverland Anabaptist Faith Community, a large Lancaster Mennonite Conference congregation, and actively volunteers in the ELANCO community serving in police chaplaincy and social service ministry. Before entering pastoral ministry he was in sales and marketing in the dairy industry for 20 years.

Ken Sensenig serves as Vice-Chair of the EMM Board of Directors. He is Assistant Director of Mennonite Central Committee (MCC) East Coast. He attends both Habecker Mennonite Church and Red Run Mennonite Church, Lancaster Mennonite Conference congregations.

Cedric Roth serves as Secretary for the EMM Board of Directors. He is a Financial Advisor at Everence Financial.

Kent Hartzler serves as Treasurer for the EMM Board of Directors. He is also a member of the EMM Church Investment Committee and has served on YES and STAT teams, short-term mission programs of Eastern Mennonite Missions. He is President & CEO of Everence Federal Credit Union. He is a member of Mountville Mennonite Church, a Lancaster Mennonite Conference congregation.

Lawrence Brenneman is a member of Pinto Mennonite Church in Cumberland, MD, a Lancaster Mennonite Conference congregation. He is a retired school teacher with an interest in missions. He served for six years as the Missions and Service Chair and four years as a Missional Leader for the Allegheny Mennonite Conference.

Lyn Carlson is a Director of Academic Support at Lancaster Mennonite School. She attends Forest Hills Mennonite Church in Leola, PA, a congregation of Atlantic Coast Conference. She has served with EMM on a YES team in 1998, a leader of both a YES team in 2001 and STAT team in 2000, and as Assistant Director of the Harrisburg Discipleship Center from 2003 to 2004.

Laurie Gingrich is a member of Connect Center City Church in Lancaster, PA. She has served on two YES teams, once as a participant and once as a leader. She is a Registered Nurse in Harrisburg and is active in her community in Lancaster City.

Stanley Green is the Executive Director/CEO of Mennonite Mission Network based in Elkhart, IN, a sister mission agency of Mennonite Church USA (MCUSA). He is a member of Waterford Mennonite Church, a Mennonite congregation of MCUSA.

Akeia Haddox-Rossiter is a Director representing Capital Christian Fellowship, a Lancaster Mennonite Conference congregation in Lanham, MD. She serves as an Outreach Coordinator for her congregation. She has served as a Missionary Support Team leader for an EMM missionary.

Tuyen Nguyen came from Vietnam to the United States in 1973. He joined the Vietnamese Mennonite Church in 1983. He is the lead pastor for the Church for the Needy in Philadelphia. He is actively helps the mission work in Vietnam and the United States. He fills the Bishop Representative role on the Board.

Janet Weber is a member of Akron Mennonite Church in Akron, PA. She served with EMM in Birmingham, Alabama for two years. She is a retired Church Administrator after serving in that role for almost 15 years at Akron Mennonite Church.

## DESCRIPTION OF NOTES OFFERED

### Interest-Free Promissory Demand Notes

These promissory demand notes bear no interest from the date of investment until demand is made and the note surrendered. Upon demand and surrender of the note, principal is repaid. A Prospectus is supplied annually to every note holder.

### Promissory Demand Notes

These promissory demand notes bear 0.25% interest per annum. Interest is paid upon request or is compounded annually on the anniversary date of the note. Principal and any unpaid interest is paid upon demand and surrender of the note. The holder will be furnished with a letter from Eastern Mennonite Missions indicating the anniversary date of the promissory demand note at least 30 days before the anniversary date. A Prospectus is supplied annually to every note holder. If the note is not surrendered within 30 days of the anniversary date of the note, the note will renew on its anniversary date as a demand note bearing interest at the then-applicable interest rate.

### One Year Promissory Notes

These promissory notes, payable after one year, bear interest at 0.50% per annum. Both principal and interest are paid upon surrender of the note at maturity. The holder will be furnished with a letter from Eastern Mennonite Missions indicating the maturity date of the one year promissory note at least 30 days before maturity. A Prospectus is supplied annually to every note holder. If the note is not surrendered within 30 days of maturity, the note may be renewed at the option of Eastern Mennonite Missions for an additional year on the terms in effect on the date of maturity. If the note is renewed, interest will be compounded if not withdrawn.

### Three Year Promissory Notes

These promissory notes, payable after three years, will bear interest at 1.50% per annum. Interest is compounded annually on the anniversary date unless the investor requests it be paid. Principal and any compounded interest will be paid upon maturity and surrender of promissory notes. The holder will be furnished with a letter from Eastern Mennonite Missions indicating the maturity date of the three year note at least 30 days before maturity. The notice will include a current Prospectus unless the holder has already received one. A Prospectus is supplied annually to every note holder. If the note is not surrendered within 30 days of maturity, the note may be renewed at the option of Eastern Mennonite Missions for an additional three years on the terms in effect on the date of maturity.

For all types of notes, subject to a limit on senior secured indebtedness of 10% of Eastern Mennonite Missions' tangible net assets, investors on the notes will be paid interest and repaid principal only after Eastern Mennonite Missions pays obligations Eastern Mennonite Missions owes to retired Eastern Mennonite Missions employees. See Risk Factors 11 and 12 (pages 3 and 4, respectively) for more information. Otherwise, Eastern Mennonite Missions has no long term debt with other note or bond holders, though please see the Eastern Mennonite Missions Statement of Financial Position for an exact listing of the liabilities of Eastern Mennonite Missions. Accordingly, except as set forth in this paragraph, Eastern Mennonite Missions does not anticipate that holders of notes accounted for as a liability within this Prospectus will have inferior ranking or lower priority as to other holders of Eastern Mennonite Missions note or bond payment obligations.

## TAX CONSEQUENCES

Eastern Mennonite Missions believes that under current law, interest paid on the notes is taxable for both Pennsylvania and federal purposes. In addition, note holders should anticipate that interest that is accrued but not paid in a particular calendar year will nonetheless be taxable in that calendar year for both Pennsylvania and federal purposes. (See also Risk Factor 7 relating to "Interest Taxable" on page 3.) Investors must provide to Eastern Mennonite Missions their correct social security or federal tax identification number and certify that they are not subject to backup withholding because of either exemption, non-notification from the IRS of backup withholding as a result of the failure to report interest and dividends, or IRS notification that backup withholding is no longer applicable. If a correct social security or federal tax identification number is not supplied, a portion of an investor's interest otherwise payable may have to be withheld by Eastern Mennonite Missions and sent to the US Treasury. Eastern Mennonite Missions encourages investors to consult with their tax advisors, as everyone's tax situation is different and provisions of the Internal Revenue Code and other tax laws are subject to change.



## INTEREST RATE CHANGES

The interest rates shown are those in effect as of the date of this Prospectus. All interest rates of Eastern Mennonite Missions may change at any time. Each quarter, the Eastern Mennonite Missions Investment Committee reviews local bank rates and the level of current cash flow needs to determine whether a rate adjustment is needed. Changes in interest rates will be applicable only to notes issued or renewed after the effective date of the change. This is applicable to both term notes and demand notes. The interest rate changes will be stated in a supplement to this Prospectus which will bear the date of the change and will accompany all copies of the Prospectus delivered on and after that date.

## ADDING TO NOTE PERMITTED

If the compounding of interest results in an uneven principal amount at maturity, the note holder may at his election add to principal an amount sufficient to result in an even principal amount and/or sufficient to raise the principal amount to any higher offered multiple or denomination.

## TRANSFERABILITY

The above promissory notes are transferable by assignment, and may be assigned and reissued at Eastern Mennonite Missions upon payment of any expenses incident to such transfer and reissue. However, all transfers must be within the Anabaptist constituency. To date, the number of transfers has been minimal and no charges have been assessed for such services. A fee for this service for notes transferred in the period governed by this Prospectus will not exceed \$5 for each change.

## SCHEDULE OF MATURITIES

These notes will mature according to the dates listed on the face of the note. If any investor should die holding any term promissory notes that have not reached maturity, the executor or administrator of any such investor's estate may, upon 30 days' written notice given to Eastern Mennonite Missions, request payment of principal and interest. Eastern Mennonite Missions, upon receipt of notice, will pay principal and interest earned to date of the surrender of note without fee or penalty. In addition, notes can be withdrawn prior to maturity if 30 days' written notice is given to Eastern Mennonite Missions, and (i) for any note paid out less than a year from its maturity date, an early redemption fee equal to one (1) month of interest is paid; and (ii) for any note paid out with a year or more remaining until maturity, an early redemption fee equal to three (3) months of interest is paid.

## REDEMPTION OF NOTES

Eastern Mennonite Missions reserves the right, after two years from date of issue, to call and repay any or all of the promissory notes on any anniversary date at par plus interest accrued to said date. In the event of partial redemption, notes may be chosen for redemption in such manner as Eastern Mennonite Missions shall determine. Thirty days' written notice by registered or certified mail of any call for redemption shall be given to the investors who hold notes chosen for redemption if any such early payment shall be made. Interest on notes and certificates called for redemption shall cease to accrue after the specified redemption date.

## LIQUIDITY RESERVES

Eastern Mennonite Missions policy is to retain liquid cash and short-term cash equivalents in an amount at least 10% of notes payable. These funds held as cash and cash equivalents totaled \$4,307,027 at December 31, 2017 (see Statements of Financial Position).

## LOAN LOSS RESERVES

Eastern Mennonite Missions maintains a loss reserve of at least 1% of receivables in the Loan Fund even though our experience has been losses in amounts less than 0.1% annually over the last five decades. Eastern Mennonite Missions believes the loss reserve in the Loan Fund of \$322,555 is adequate.

## UNDERTAKINGS AND DEFAULT PROVISIONS

Eastern Mennonite Missions assumes legal and binding responsibility for the full repayment of all notes as they come due. The funds generated by this issue will be used in the way that investment funds have been used in the past fifty-year history of Eastern Mennonite Missions' Investment Committee program. Eastern Mennonite Missions will secure title insurance or a lawyer's guarantee of title on all properties purchased in the future, and covenants to carry insurance against fire and other normal hazards and to maintain its properties in good condition. Should default occur in the payment of principal or interest on any of the promissory notes offered for sale by this Prospectus or on any of the promissory notes offered by Eastern Mennonite Missions in any prior offerings, and should default continue uncorrected for 45 days, the principal of all said notes shall become due and payable immediately.

## AUTHORIZATION OF ISSUE

Eastern Mennonite Missions by a resolution adopted at the November 18, 2017 meeting, authorized the issuance and sale of these notes and certificates and also authorized its proper corporate officers to do all things necessary to implement such resolution.

## PLAN OF DISTRIBUTION

Eastern Mennonite Missions manages the use of all investments from the promissory notes to be issued as outlined in this Prospectus. There is no commission or indirect compensation to any employee or staff member for the sale of promissory notes.

The Finance Team staff of Eastern Mennonite Missions is responsible for making offers and sales of notes. Historically, one or two letters a year have been mailed to our constituency inviting them to invest some of their savings in this Church Investment Loan Fund of Eastern Mennonite Missions.

## NOTICE OF RIGHT OF WITHDRAWAL

Each prospective note holder who accepts an offer to purchase the promissory notes has the right to withdraw his acceptance within two business days after his receipt of a copy of this Prospectus. Such withdrawal will be without further liability, and the prospective note holder will receive a full refund of all monies paid. To accomplish such a withdrawal, the prospective note holder must send a letter or e-mail to Eastern Mennonite Missions indicating his intention to withdraw. Such letters must be sent and postmarked prior to the end of the aforementioned second business day. If a letter is sent, it is prudent to send it by certified mail, return receipt requested, to ensure it is received, and also to evidence the time when it was mailed.

## LITIGATION

Eastern Mennonite Missions is not aware that any litigation is threatened, pending or has been filed against it. Claims previously brought against Eastern Mennonite Missions have been a fatal vehicular accident in Florida in 1960 and a lead poisoning claim from a church property in Bronx, New York, in 1994. A lawsuit was filed against Eastern Mennonite Missions by the resident of an apartment located in a building then owned by Eastern Mennonite Missions in Philadelphia, Pennsylvania. Eastern Mennonite Missions has been released from that suit. Eastern Mennonite Missions has had no other material claims filed against it in 100 years of its history.

## LEGAL OPINION

Blakinger Thomas, P.C., 28 Penn Square, Lancaster, Pennsylvania 17603, counsel for Eastern Mennonite Missions, is passing on the legal matters in connection with this issue of securities. In connection therewith, they have given their legal opinion to the effect that all of the notes to be issued pursuant to this offering will be valid and enforceable obligations of Eastern Mennonite Missions. Several members of this law firm have a religious affiliation with the Mennonite Church but are not on the Board of Eastern Mennonite Missions.

## REPORT TO INVESTORS

Eastern Mennonite Missions agrees to give every promissory note holder a copy of its audited Financial Statements within 120 days of the end of its fiscal year. Eastern Mennonite Missions' present fiscal year is the calendar year from January 1 through December 31.

## ANNUAL MEETING

The annual meeting of Eastern Mennonite Missions is held each year near the time of the Lancaster Mennonite Conference annual meeting.

## ADDITIONAL INFORMATION

A prospective note holder is informed: (i) that a Registration Statement with respect to the securities offered by the Prospectus has been filed in the offices of the Pennsylvania Department of Banking and Securities in Harrisburg, Pennsylvania; (ii) that such Registration Statement included certain exhibits only summarized or alluded to in the Prospectus; and (iii) that such additional documents are available for inspection at their offices during regular business hours. The Pennsylvania Department of Banking and Securities is located at Market Square Plaza, 17 North 2nd Street, Suite 1300, Harrisburg, Pennsylvania 17101, telephone number (800) 600-0007. Their hours are 8:30 a.m. through 5:00 p.m., Monday through Friday.

## FINANCIAL STATEMENTS

The audited Financial Statements of Eastern Mennonite Missions as of December 31, 2017 and 2016, and for the years then ended, with summarized comparative financial information as of December 31, 2015 and for the year then ended, included in this Prospectus, have been audited by Brown Schultz Sheridan & Fritz, 201 Granite Run Drive, Suite 110, Lancaster, Pennsylvania 17601, independent auditors, as stated in their report appearing herein.

Auditors' Report follows for

### **EASTERN MENNONITE MISSIONS**

**For the Years Ended**

**December 31, 2017 and 2016**

**(with summarized comparative financial information for December 31, 2015)**



**EASTERN MENNONITE MISSIONS**

**YEARS ENDED**  
**DECEMBER 31, 2017 AND 2016**  
*(with summarized comparative financial  
information for the year ended  
December 31, 2015)*



## Independent Auditors' Report

Officers and Directors  
Eastern Mennonite Missions  
Salunga, Pennsylvania

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Eastern Mennonite Missions (the Organization), which comprise the statements of financial position as of December 31, 2017 and 2016 and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eastern Mennonite Missions as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited Eastern Mennonite Missions' 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 25, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Brown Schultz Steidman & Fritz*

Lancaster, Pennsylvania  
February 28, 2018





## LIABILITIES AND NET ASSETS

|  | 2017          | 2016          | 2015          |
|--|---------------|---------------|---------------|
| <b>Liabilities:</b>  |               |               |               |
| Accounts payable and accrued expenses                            | \$ 268,450    | \$ 334,464    | \$ 334,084    |
| Payables (primarily to Mennonite individuals and organizations): |               |               |               |
| Interest   | 69,725        | 70,904        | 68,456        |
| Notes  | 14,877,597    | 16,248,133    | 16,124,180    |
| Deferred revenue   | 1,289         | 589           | 4,403         |
| Revocable trust funds  | 231,150       | 250,251       | 276,834       |
| Endowments and trusts held for others                            | 399,481       | 446,222       | 452,795       |
| Annuity and charitable remainder unitrust liability              | 1,366,940     | 1,401,326     | 1,465,395     |
| Total liabilities  | 17,214,632    | 18,751,889    | 18,726,147    |
| <b>Net assets:</b>   |               |               |               |
| Unrestricted:  |               |               |               |
| Designated by Eastern Mennonite Missions for mission programs    | 2,603,213     | 2,268,999     | 2,452,131     |
| Undesignated   | 8,609,967     | 9,562,500     | 9,364,713     |
| Total unrestricted   | 11,213,180    | 11,831,499    | 11,816,844    |
| Temporarily restricted   | 3,391,961     | 3,267,766     | 3,745,672     |
| Permanently restricted   | 23,105        | 24,007        | 24,867        |
| Total net assets   | 14,628,246    | 15,123,272    | 15,587,383    |
| Total liabilities and net assets                                 | \$ 31,842,878 | \$ 33,875,161 | \$ 34,313,530 |

# EASTERN MENNONITE MISSIONS

## STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2017 AND 2016  
(with summarized comparative financial information for the year ended December 31, 2015)

|   | 2017         |                           | 2016         |              | 2015<br>Totals<br>only |                           |
|---|--------------|---------------------------|--------------|--------------|------------------------|---------------------------|
|   | Unrestricted | Temporarily<br>restricted | Total        | Unrestricted |                        | Temporarily<br>restricted |
| Support and revenue:  |              |                           |              |              |                        |                           |
| Contributions   | \$ 2,091,459 | \$ 3,559,135              | \$ 5,650,594 | \$ 2,240,956 | \$ 5,545,796           | \$ 6,040,332              |
| Investment income   | 973,722      |                           | 973,722      | 998,300      | 998,300                | 922,622                   |
| Miscellaneous income  | 38,823       |                           | 38,823       | 34,496       | 34,496                 | 42,072                    |
| Gain on sale of property and equipment  |              |                           |              | 60           | 60                     |                           |
| Change in the actuarial value of annuities and charitable remainder unitrusts |              | (53,250)                  | (54,152)     |              | (38,294)               | (41,329)                  |
| Net assets released, satisfaction of time and purpose restrictions            | 3,381,690    | (3,381,690)               | -            | 3,745,312    | (3,745,312)            | -                         |
| Total support and revenue   | 6,485,694    | 124,195                   | 6,608,887    | 7,019,124    | (477,906)              | (860)                     |
| Expenses:   |              |                           |              |              |                        |                           |
| Program services:   |              |                           |              |              |                        |                           |
| Ministries:   |              |                           |              |              |                        |                           |
| Mission Team:   |              |                           |              |              |                        |                           |
| Long-term   | 3,852,394    |                           | 3,852,394    | 3,926,804    | 3,926,804              | 4,135,742                 |
| Short-term  | 421,062      |                           | 421,062      | 573,497      | 573,497                | 631,887                   |
| Relief  | 103,037      |                           | 103,037      | 107,590      | 107,590                | 44,593                    |
| Other   | 264,708      |                           | 264,708      | 308,168      | 308,168                | 324,385                   |
| Loan fund   | 223,385      |                           | 223,385      | 310,486      | 310,486                | 262,635                   |
| Trust fund  | 116,322      |                           | 116,322      | 125,585      | 125,585                | 131,003                   |
| Total program services  | 4,980,908    |                           | 4,980,908    | 5,352,130    | 5,352,130              | 5,530,245                 |
| Supporting activities:  |              |                           |              |              |                        |                           |
| Management and general  | 1,346,289    |                           | 1,346,289    | 1,499,070    | 1,499,070              | 1,508,844                 |
| Fund-raising  | 196,709      |                           | 196,709      | 153,579      | 153,579                | 123,258                   |
| Total supporting activities   | 1,542,998    |                           | 1,542,998    | 1,652,649    | 1,652,649              | 1,632,102                 |
| Total expenses  | 6,523,906    |                           | 6,523,906    | 7,004,779    | 7,004,779              | 7,162,347                 |

(continued)

# EASTERN MENNONITE MISSIONS

## STATEMENTS OF ACTIVITIES (CONTINUED)

YEARS ENDED DECEMBER 31, 2017 AND 2016  
(with summarized comparative financial information for the year ended December 31, 2015)

|   | 2017          |                           |                           | 2016          |               |                           | 2015<br>Totals<br>only |                           |               |
|---|---------------|---------------------------|---------------------------|---------------|---------------|---------------------------|------------------------|---------------------------|---------------|
|   | Unrestricted  | Temporarily<br>restricted | Permanently<br>restricted | Total         | Unrestricted  | Temporarily<br>restricted |                        | Permanently<br>restricted |               |
| Changes in net assets before pension related changes other than net periodic pension costs and gifted transfer of MIC | \$ (38,212)   | \$ 124,195                | \$ (902)                  | \$ 85,081     | \$ 14,345     | \$ (477,906)              | \$ (860)               | \$ (464,421)              | \$ (198,650)  |
| Pension related changes other than net periodic pension costs   | 22,652        |                           |                           | 22,652        | 310           | 310                       |                        | 310                       | (127,905)     |
| Transfer to Lancaster Mennonite Historical Society  | (602,759)     |                           |                           | (602,759)     |               |                           |                        |                           |               |
| Change in net assets  | (618,319)     | 124,195                   | (902)                     | (495,026)     | 14,655        | (477,906)                 | (860)                  | (464,111)                 | (326,555)     |
| Net assets:   |               |                           |                           |               |               |                           |                        |                           |               |
| Beginning of year   | 11,831,499    | 3,267,766                 | 24,007                    | 15,123,272    | 11,816,844    | 3,745,672                 | 24,867                 | 15,587,383                | 15,913,938    |
| End of year   | \$ 11,213,180 | \$ 3,391,961              | \$ 23,105                 | \$ 14,628,246 | \$ 11,831,499 | \$ 3,267,766              | \$ 24,007              | \$ 15,123,272             | \$ 15,587,383 |

See notes to financial statements.

## ***EASTERN MENNONITE MISSIONS***

### STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

(with summarized comparative financial information for the year ended December 31, 2015)

|   | <u>2017</u>    | <u>2016</u>      | <u>2015</u>    |
|---|----------------|------------------|----------------|
| Cash flows from operating activities:   |                |                  |                |
| Change in net assets  | \$ (495,026)   | \$ (464,111)     | \$ (326,555)   |
| Adjustments:  |                |                  |                |
| Depreciation  | 62,504         | 55,939           | 77,242         |
| Marketable securities gain (loss)   |                | 8,971            | (696)          |
| Gain on sale/transfer of property and equipment   |                | (60)             |                |
| Property transferred to other organization, net   | 391,115        |                  |                |
| Adjustment of actuarial liability for annuities and charitable remainder unitrust liability | 184,423        | 161,252          | 185,041        |
| Unrealized (gain) loss on marketable securities   | (10,423)       | (54,971)         | 15,274         |
| Changes in assets and liabilities:  |                |                  |                |
| Interest receivable   | (6,108)        | (3,388)          | 13,464         |
| Prepaid expenses  | 26,937         | 20,459           | (37,180)       |
| Interest in MASP reserve  | (76,470)       | 3,048            | (9,125)        |
| Interest payable  | (1,179)        | 2,448            | (19,103)       |
| Accounts payable and accrued expenses   | (66,014)       | 380              | 29,782         |
| Deferred revenue  | 700            | (3,814)          | (91)           |
| Revocable trust funds   | (19,101)       | (26,583)         | (4,699)        |
| Endowments and trusts held for others   | (46,741)       | (6,573)          | (5,667)        |
| Pension asset   | 60,063         | (23,721)         | 159,232        |
| Total adjustments   | <u>499,706</u> | <u>133,387</u>   | <u>403,474</u> |
| Net cash provided by (used in) operating activities   | <u>4,680</u>   | <u>(330,724)</u> | <u>76,919</u>  |

(continued)

## ***EASTERN MENNONITE MISSIONS***

### STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED DECEMBER 31, 2017 AND 2016

(with summarized comparative financial information for the year ended December 31, 2015)

|  | <u>2017</u>         | <u>2016</u>         | <u>2015</u>         |
|--|---------------------|---------------------|---------------------|
| Cash flows from investing activities:                  |                     |                     |                     |
| Disbursements of loans, notes and mortgages receivable | \$(1,430,754)       | \$(6,992,899)       | \$ (834,773)        |
| Repayment of notes and mortgages receivable            | 2,751,509           | 3,742,140           | 3,352,848           |
| Purchases of:  |                     |                     |                     |
| Marketable securities                                  | (16,721)            | (4,465)             | (20,637)            |
| Property and equipment                                 | (108,375)           | (62,271)            | (1,083,712)         |
| Proceeds from sale of:                                 |                     |                     |                     |
| Marketable securities                                  |                     | 187                 | 72,945              |
| Property and equipment                                 |                     | 60                  |                     |
| (Increase) decrease in advances                        | <u>28,704</u>       | <u>52,605</u>       | <u>(8,283)</u>      |
| Net cash provided by (used in) investing activities    | <u>1,224,363</u>    | <u>(3,264,643)</u>  | <u>1,478,388</u>    |
| Cash flows from financing activities:                  |                     |                     |                     |
| Proceeds from issuance of notes payable                | 959,240             | 1,197,471           | 673,223             |
| Repayments of notes payable                            | (2,329,776)         | (1,073,518)         | (2,662,198)         |
| Annuity and charitable remainder unitrust payments     | <u>(218,809)</u>    | <u>(225,321)</u>    | <u>(229,625)</u>    |
| Net cash used in financing activities                  | <u>(1,589,345)</u>  | <u>(101,368)</u>    | <u>(2,218,600)</u>  |
| Net decrease in cash and cash equivalents              | (360,302)           | (3,696,735)         | (663,293)           |
| Cash and cash equivalents:                             |                     |                     |                     |
| Beginning of year                                      | <u>4,667,329</u>    | <u>8,364,064</u>    | <u>9,027,357</u>    |
| End of year  | <u>\$ 4,307,027</u> | <u>\$ 4,667,329</u> | <u>\$ 8,364,064</u> |

(continued)

***EASTERN MENNONITE MISSIONS***

STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED DECEMBER 31, 2017 AND 2016

(with summarized comparative financial information for the year ended December 31, 2015)

|  | <u>2017</u>       | <u>2016</u>       | <u>2015</u>       |
|--|-------------------|-------------------|-------------------|
| Supplemental disclosures of cash flow information: |                   |                   |                   |
| Cash paid out for interest                         | \$ 56,760         | \$ 52,996         | \$ 71,130         |
| Deferred interest added to notes payable           | <u>109,913</u>    | <u>104,057</u>    | <u>125,606</u>    |
|  | <u>\$ 166,673</u> | <u>\$ 157,053</u> | <u>\$ 196,736</u> |
| Non-cash operating activities:                     |                   |                   |                   |
| Property transferred to other organization:        |                   |                   |                   |
| Cost of property transferred                       | \$ 951,289        |                   |                   |
| Accumulated depreciation of property transferred   | <u>560,174</u>    |                   |                   |
|  | <u>\$ 391,115</u> |                   |                   |

See notes to financial statements.

# **EASTERN MENNONITE MISSIONS**

## **NOTES TO FINANCIAL STATEMENTS**

YEARS ENDED DECEMBER 31, 2017 AND 2016

(with summarized comparative financial information for the year ended December 31, 2015)

### **1. Description of the Organization and activities and summary of significant accounting policies:**

#### *Description of the Organization:*

Eastern Mennonite Missions (EMM or the Organization) is a not-for-profit corporation organized by the Lancaster Mennonite Conference to carry out charitable and missionary purposes at home and overseas. EMM is organized and operated exclusively for religious, educational, benevolent and charitable purposes. EMM has been recognized as exempt under Section 501(c)(3) of the Internal Revenue Code. EMM is not subject to federal or state information return filing requirements as they are considered to be a group of affiliated churches. Overseas operations did not result in any significant foreign currency gains or losses, and there was no significant asset or liability exposure at year-end as a result of overseas operations. However, fluctuations in currency exchange rates impact EMM's overseas program costs from year to year. EMM receives support primarily from 180 member congregations of the Lancaster Mennonite Conference and related groups, as well as other Anabaptist individuals, churches and conferences.

EMM focuses in mission work include: business for transformation, children at risk, discipleship training, education, health and community development, hospitality, international mission partnerships, leadership training, Muslim ministry, the persecuted church, pioneer witness and relief.

In addition, EMM operates a loan fund and offers unsecured promissory notes to persons who are members of, contributors to (including investors in) or participants in Anabaptist churches or in Eastern Mennonite Missions or in any program, activity or organization which constitutes a part of the Anabaptist churches or Eastern Mennonite Missions or in any other church organizations that have a programmatic relationship with the Anabaptist churches or Eastern Mennonite Missions. The proceeds received from the sale of these notes are primarily invested in loans, notes and mortgages to Mennonite organizations to assist them in the acquisition, renovation and construction of facilities. Funds raised are also invested in properties and other short-term investments for EMM.

#### *Church related activities:*

EMM is committed to the growth of Christian churches throughout the world. Thirty-four churches have formed or developed through the ministries of EMM, and these now comprise over 450,000 baptized members. In 2017, 25 full-time and 13 part-time staff and 138 international workers served in 35 countries. EMM also benefited from the services of approximately 120 volunteer field workers. The financial statements do not present the value of these contributed services because they do not meet the recognition criteria of current accounting standards.

## ***EASTERN MENNONITE MISSIONS***

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2017 AND 2016

(with summarized comparative financial information for the year ended December 31, 2015)

#### **1. Description of the Organization and activities and summary of significant accounting policies (continued):**

##### *Summary of significant accounting policies:*

##### Basis of accounting:

The financial statements have been prepared on the accrual basis of accounting and, accordingly, present all significant receivables, payables and other liabilities.

##### Basis of presentation:

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under FASB ASC 958, EMM is required to report information regarding its financial position and activities in up to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

##### Cash equivalents:

Certificates of deposit with original maturity dates over three months when acquired are classified as cash equivalents since the penalty for withdrawing the funds is not material to the overall financial statements. Cash equivalents are stated at cost which approximates fair value.

##### Receivables:

Mortgage, loans, advances and notes are stated at unpaid principal balances, less an allowance for losses based upon possible or expected losses. Full collection of outstanding loans, mortgages, advances and notes receivable can depend on various individual economic conditions. The Organization performs ongoing credit evaluations of the financial conditions of the borrowers. Management's evaluation of the adequacy of the allowance is based on EMM's past loan experience, adverse situations that may affect the borrower's ability to repay and current economic conditions. Past due status is determined based on contractual terms. Loans are considered past due if they have outstanding payments in excess of 30 days. Mortgages, loans and notes are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms. EMM's policy is to charge off any mortgage, loan or note, or a portion thereof, when it is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating financial condition or other reasons.



## ***EASTERN MENNONITE MISSIONS***

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2017 AND 2016

(with summarized comparative financial information for the year ended December 31, 2015)

#### **1. Description of the Organization and activities and summary of significant accounting policies (continued):**

*Summary of significant accounting policies (continued):*

##### Receivables (continued):

Receivables that are still outstanding after management has used reasonable collection efforts are written off through a charge to a valuation allowance and a credit to receivables. The receivables are net of an allowance for uncollectible accounts amounting to \$322,555, \$353,564 and \$317,924 at December 31, 2017, 2016 and 2015, respectively.

Mortgages, loans and notes with payments past due will continue to accrue interest until the outstanding payments exceed 150 days at which time the account is placed on nonaccrual status. Payments received on nonaccrual status mortgages, loans or notes would first be applied to interest previously accrued and any amount in excess of the interest due would be applied to the principal balance. The accrual of interest is not resumed unless the mortgage, loan or note first ceases to be classified as past due and then subsequently re-qualifies for accrual status. One loan was placed on nonaccrual status in 2017.

Interest on these receivables is recognized over the respective terms of the loan and is calculated using the simple-interest method on principal amounts outstanding.

##### Property and equipment:

The Organization capitalizes all property and equipment purchases in excess of \$2,500 with estimated useful lives of one year or more at cost. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets.

EMM has in the past and intends to continue contributing certain church properties to local church groups.

##### Annuity and charitable remainder unitrust liability:

The annuity and charitable remainder unitrust liability results from gifts of cash or property received by EMM subject to agreements whereby EMM promises to pay stipulated periodic amounts. Payments generally terminate upon the demise of the named beneficiaries and any residual liability is reported as support. The assets contributed are recorded at fair value when received.

## ***EASTERN MENNONITE MISSIONS***

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2017 AND 2016

(with summarized comparative financial information for the year ended December 31, 2015)

#### **1. Description of the Organization and activities and summary of significant accounting policies (continued):**

*Summary of significant accounting policies (continued):*

##### Annuity and charitable remainder unitrust liability (continued):

The discount rates at December 31, 2017 were 1.6% to 11.2%. The Organization revalues its liability for annuities and charitable remainder unitrusts each year for changes in life expectancy and reflects these changes in the liability in the statements of activities.

##### Pension:

The pension asset, liability, expense and actuarial gain/loss were recorded in accordance with the requirements of the Financial Accounting Standards Board to present EMM's funding position of its pension plan. The Eastern Mennonite Board of Missions and Charities Pension Plan Trust has the sole authority regarding the usage of the pension fund. EMM is restricted from using the pension fund for any of its activities.

##### Survivorship and disability assistance plans:

EMM provides a survivorship and disability assistance plan to the administrative office employees (AOE) and overseas missionaries for surviving spouses or dependent children. Survivorship assistance is provided to the spouse of an EMM employee if the employee was the primary income earner and was employed at least 20 hours per week. The benefit is equal to 12 months for AOE or 24 months for overseas missionaries' current wage. There is also an additional prorated benefit of 6 months for AOE or 12 months for overseas missionaries' wages for every dependent child under the age of 18 and assistance is provided to the guardian of the children if either parent dies or a single parent dies leaving minor children. The first child receives 65% of the benefit, the second child receives 55% of the benefit, the third child receives 45% and the fourth child and more children receive 35% of the benefit. The maximum survivorship benefits per individual will total \$50,000 for AOE and \$150,000 for overseas missionaries.

The disability assistance plan covers full-time and part-time employees after one month of employment. If an employee becomes disabled for more than one week, the employee will receive their pay and benefits, less Social Security disability benefits, less other assistance not personally procured and less any earned income from part-time employment. The maximum disability assistance and benefits per individual will total \$150,000.

## ***EASTERN MENNONITE MISSIONS***

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2017 AND 2016

(with summarized comparative financial information for the year ended December 31, 2015)

#### **1. Description of the Organization and activities and summary of significant accounting policies (continued):**

*Summary of significant accounting policies (continued):*

##### Survivorship and disability assistance plans (continued):

There were no occurrences of a benefit to an employee under the survivorship or disability assistance plan and nothing was paid under the plan in 2017, 2016 or 2015.

##### Contributions:

EMM reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets consist of annuity and charitable remainder unitrust agreements that are held in perpetuity, the income from which is available to support the ministries of EMM.

##### Estimates:

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were used. Significant estimates affecting these financial statements include the assumptions used in the allowance for uncollectible accounts, interest in the Mutual Aid Sharing Plan (MASP) reserve, the accrual for self-funded employee healthcare costs related to EMM's participation in MASP, the annuity and charitable remainder unitrust liabilities, and the calculation of pension expense, including other gains, losses and prior service costs or credits. It is at least reasonably possible that these estimates could change in the near term.

##### Subsequent events:

The Organization has evaluated subsequent events through February 28, 2018, the date which the financial statements were available to be issued.

**EASTERN MENNONITE MISSIONS**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2017 AND 2016

(with summarized comparative financial information for the year ended December 31, 2015)

**2. Cash and cash equivalents:**

Cash and cash equivalents consist of the following at December 31:

|                         | <u>2017</u>         | <u>2016</u>         | <u>2015</u>         |
|-------------------------|---------------------|---------------------|---------------------|
| Cash                    | \$ 1,354,803        | \$ 1,486,064        | \$ 1,989,428        |
| Certificates of deposit | 1,578,506           | 1,820,420           | 3,515,432           |
| Money market funds:     |                     |                     |                     |
| Bank                    | 1,280,753           | 1,276,315           | 2,775,690           |
| Brokers                 | <u>92,965</u>       | <u>84,530</u>       | <u>83,514</u>       |
|                         | <u>\$ 4,307,027</u> | <u>\$ 4,667,329</u> | <u>\$ 8,364,064</u> |

At December 31, 2017, the amount of cash and cash equivalents held at various banks and an investment brokerage firm exceeded the Federal Deposit Insurance Corporation (FDIC) limit by \$2,322,786.

Cash which may be required for approved loan applications is as follows:

|  |                     |
|--|---------------------|
| Total approved loan applications           | \$ 3,790,000        |
| Amounts advanced through December 31, 2017 | <u>1,927,804</u>    |
| Amounts to be advanced in 2018 and later   | <u>\$ 1,862,196</u> |

The funds to be advanced are funds towards construction projects. These funds historically have not been loaned in full due to congregations engaging in building fund campaigns, or are loaned over a number of months as the building project progresses. Mortgage repayment rates have no penalty for accelerated mortgage payments, and historically a number of current mortgages pay at accelerated rates. As in the past, EMM does not anticipate any difficulty in meeting the requests to advance funds for these approved mortgages.

## ***EASTERN MENNONITE MISSIONS***

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2017 AND 2016

(with summarized comparative financial information for the year ended December 31, 2015)

#### **3. Marketable securities:**

Marketable securities consist of the following at December 31:

|                                    | <u>2017</u>              | <u>2016</u>              | <u>2015</u>              |
|------------------------------------|--------------------------|--------------------------|--------------------------|
| Equity securities, at market value | \$ 429,772               | \$ 402,628               | \$ 352,350               |
| Excess of market value over cost   | <u>(306,825)</u>         | <u>(296,402)</u>         | <u>(241,431)</u>         |
| Total cost                         | <u><u>\$ 122,947</u></u> | <u><u>\$ 106,226</u></u> | <u><u>\$ 110,919</u></u> |

Net investment income from marketable securities consists of:

|                               | <u>2017</u>             | <u>2016</u>             | <u>2015</u>             |
|-------------------------------|-------------------------|-------------------------|-------------------------|
| Dividends                     | \$ 24,149               | \$ 4,832                | \$ 26,627               |
| Net realized gains (losses)   |                         | (8,971)                 | 696                     |
| Net unrealized gains (losses) | <u>10,423</u>           | <u>54,971</u>           | <u>(15,274)</u>         |
|                               | <u><u>\$ 34,572</u></u> | <u><u>\$ 50,832</u></u> | <u><u>\$ 12,049</u></u> |

#### **4. Fair value measurements:**

FASB ASC 820, *Fair Value Measurement*, establishes a three-level hierarchy for fair value measurements to clarify the valuation of an asset as follows:

- Level 1 – Quoted prices in active markets for an identical investment
- Level 2 – Other significant observable inputs, including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.
- Level 3 – Significant unobservable inputs, including the Organization's own assumptions in determining the fair value of investments

## **EASTERN MENNONITE MISSIONS**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2017 AND 2016

(with summarized comparative financial information for the year ended December 31, 2015)

#### **4. Fair value measurements (continued):**

The cash and cash equivalents are stated at principal value which approximates fair value. The equity securities are valued by reference to quoted market prices. This methodology is consistent with the methodology used in previous periods to value investments.

The fair values of assets measured on a recurring basis at December 31:

| <u>Investments</u>       | <u>2017</u>         | <u>2016</u>         | <u>2015</u>         |
|--------------------------|---------------------|---------------------|---------------------|
| Level 1 - Quoted prices: |                     |                     |                     |
| Cash                     | \$ 1,354,803        | \$ 1,486,064        | \$ 1,989,428        |
| Cash equivalents:        |                     |                     |                     |
| Certificates of deposit  | 1,578,506           | 1,820,420           | 3,515,432           |
| Money market funds       | 1,373,718           | 1,360,845           | 2,859,204           |
| Equity securities        | <u>429,772</u>      | <u>402,628</u>      | <u>352,350</u>      |
|                          | <u>\$ 4,736,799</u> | <u>\$ 5,069,957</u> | <u>\$ 8,716,414</u> |

#### **5. Receivables:**

Advances are considered short-term and collectible in the next year.

Mortgage receivables are generally secured by property. EMM has one mortgage receivable with a Mennonite organization located in eastern Pennsylvania which exceeds 10% of the notes and mortgages receivable balances during the year ended December 31, 2017 and 2016. This mortgage has a balance of \$3,432,980 and \$3,571,957 at December 31, 2017 and 2016, respectively. There is one receivable from another eastern Pennsylvania Mennonite organization with a balance of \$2,335,327 at December 31, 2015, which exceeded 10% of total notes and mortgages receivable. Unsecured notes receivable totaled \$243,936 at December 31, 2017.

**EASTERN MENNONITE MISSIONS**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2017 AND 2016

(with summarized comparative financial information for the year ended December 31, 2015)

**5. Receivables (continued):**

The outstanding notes and mortgages at December 31, 2017 bear interest at an average rate of 3.55% and are due in the following years:

| <u>Due</u> | <u>Loan fund</u>     | <u>Other</u>        | <u>Total</u>         |
|------------|----------------------|---------------------|----------------------|
| 2018       | \$ 1,546,863         | \$ 1,149,259        | \$ 2,696,122         |
| 2019       | 1,396,814            | 653,042             | 2,049,856            |
| 2020       | 1,162,237            | 600,334             | 1,762,571            |
| 2021       | 1,008,132            | 609,253             | 1,617,385            |
| 2022       | 1,037,599            | 675,147             | 1,712,746            |
| thereafter | <u>9,610,093</u>     | <u>5,234,608</u>    | <u>14,844,701</u>    |
|            | <u>\$ 15,761,738</u> | <u>\$ 8,921,643</u> | <u>\$ 24,683,381</u> |

It is EMM's experience that a substantial portion of the notes and mortgage receivables are repaid before contractual maturity dates. The above table, therefore, is not to be regarded as a forecast of future cash flows. Interest rates are generally fixed for the first year of the receivable and become variable on a yearly basis thereafter.

The components of the allowance for uncollectible accounts at December 31 are as follow:

|                                   | <u>2017</u>       | <u>2016</u>       | <u>2015</u>       |
|-----------------------------------|-------------------|-------------------|-------------------|
| Balances, beginning of year       | \$ 353,564        | \$ 317,924        | \$ 352,668        |
| Provision (adjustment) for losses | <u>(31,009)</u>   | <u>35,640</u>     | <u>(34,744)</u>   |
| Balances, end of year             | <u>\$ 322,555</u> | <u>\$ 353,564</u> | <u>\$ 317,924</u> |

**EASTERN MENNONITE MISSIONS**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2017 AND 2016

(with summarized comparative financial information for the year ended December 31, 2015)

**5. Receivables (continued):**

The following are some general guidelines that the Organization uses in approving loans:

- Invest up to 75% of the lower of the property's cost or appraisal.
- Loan amount should not be more than twice the annual revenue of the borrower.
- Total operating expenses should not exceed 90% of average annual revenue of the borrower.
- Loans to an agency should be less than 20% of the total loans outstanding.
- With the exception of churches, loans are not to exceed 40% in a market segment.

Loan approval is given by an Investment Committee, which meets quarterly to review applications and summarized financial statements.

The following is the total amount of loans that are considered past due at December 31:

|           | 2017                   |                       |                   | 2016                   |                   | 2015                   |                   |
|-----------|------------------------|-----------------------|-------------------|------------------------|-------------------|------------------------|-------------------|
|           | Past due<br>31-60 Days | Past due<br>> 90 Days | Total<br>past due | Past due<br>61-90 Days | Total<br>past due | Past due<br>31-60 Days | Total<br>past due |
| Mortgages | \$ 98,620              | \$ 463,905            | \$ 562,525        | \$ 654,543             | \$ 654,543        | \$ 55,934              | \$ 55,934         |

The Organization allows construction loans to be interest only until construction is complete. Occasionally a loan can be approved by the Investment Committee to be interest only for a period of time outside of construction. There are two interest only loans outside of construction totaling approximately \$785,000 for the year ended December 31, 2016. In 2017, one of these loans began making principal payments and the other will begin principal payments in 2018.



**EASTERN MENNONITE MISSIONS**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2017 AND 2016

(with summarized comparative financial information for the year ended December 31, 2015)

**6. Property and equipment:**

The following is a summary of property and equipment at December 31:

|                               | 2017                | 2016                | 2015                |
|-------------------------------|---------------------|---------------------|---------------------|
| Land and improvements:        |                     |                     |                     |
| Ministries                    | \$ 183,145          | \$ 183,145          | \$ 183,145          |
| Other                         | 16,000              | 16,000              | 16,000              |
| Buildings for ministries      | 1,437,761           | 2,280,675           | 2,239,962           |
| Other buildings               | 374,047             | 374,047             | 374,047             |
| Furnishings and equipment     | 322,275             | 656,713             | 636,685             |
| Transportation equipment      | 32,651              | 32,651              | 32,651              |
|                               | 2,365,879           | 3,543,231           | 3,482,490           |
| Less accumulated depreciation | 837,819             | 1,669,927           | 1,615,518           |
|                               | <u>\$ 1,528,060</u> | <u>\$ 1,873,304</u> | <u>\$ 1,866,972</u> |
| Depreciation expense          | <u>\$ 62,504</u>    | <u>\$ 55,939</u>    | <u>\$ 77,242</u>    |

Property and equipment include church properties with an original cost of \$150,180 and a net book value of \$26,709 at December 31, 2017. Title of these properties may be transferred to the churches at the sole discretion of EMM. There were no churches transferred in 2017, 2016 or 2015.

**7. Line of credit:**

EMM has an unsecured \$1,000,000 line of credit with Union Community Bank. There are no restrictive covenants included in the line of credit agreement. The interest rate is the *Wall Street Journal* prime rate (3.75% at December 31, 2017) with a floor of 4.06% and a maximum rate of 18%. To renew the line of credit there is an annual review. At December 31, 2017, there was no outstanding balance.

## ***EASTERN MENNONITE MISSIONS***

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2017 AND 2016

(with summarized comparative financial information for the year ended December 31, 2015)

#### **8. Notes payable:**

Notes payable consist of notes primarily to Mennonite individuals and organizations with interest rates that range from noninterest-bearing to 1.5%. The outstanding notes payable at December 31, 2017 bear interest at an average rate of 1.09%. Scheduled maturities on the notes payable are as follows:

| <u>Due</u>                        | <u>2017</u>          | <u>2016</u>          | <u>2015</u>          |
|-----------------------------------|----------------------|----------------------|----------------------|
| On demand                         | \$ 1,437,522         | \$ 1,163,958         | \$ 1,314,219         |
| 2016                              |                      |                      | 6,020,046            |
| 2017                              |                      | 5,456,724            | 4,429,520            |
| 2018                              | 4,693,817            | 4,340,422            | 4,360,395            |
| 2019                              | 4,823,568            | 5,287,029            |                      |
| 2020                              | <u>3,922,690</u>     |                      |                      |
|                                   | <u>\$ 14,877,597</u> | <u>\$ 16,248,133</u> | <u>\$ 16,124,180</u> |
| Interest expense on notes payable | <u>\$ 165,493</u>    | <u>\$ 159,502</u>    | <u>\$ 177,632</u>    |

As of December 31, 2017, \$6,131,339 of notes payable are due on demand or payable within the next 12 months. If a significant number of note holders present these obligations for repayment, the annual receipts of EMM would be insufficient to meet these repayment requirements. In the past, EMM has had sufficient funds to meet all repayment requests as they are presented.

#### **9. Endowments and trusts held for others:**

Endowments and trusts represent a liability arising from advances of cash and securities from grantors who have a right to income therefrom. These funds are held in trust for other Mennonite organizations.

## **EASTERN MENNONITE MISSIONS**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2017 AND 2016

(with summarized comparative financial information for the year ended December 31, 2015)

#### **10. Assets related to annuity and charitable remainder unitrust liability:**

Assets related to the annuity and charitable remainder unitrust liability at December 31 are as follows:

|                       | <u>2017</u>                | <u>2016</u>                | <u>2015</u>                |
|-----------------------|----------------------------|----------------------------|----------------------------|
| Mortgages receivable  | \$ 2,109,463               | \$ 2,332,148               | \$ 2,427,745               |
| Marketable securities | 228,176                    | 216,565                    | 196,733                    |
| Cash                  | <u>259,536</u>             | <u>120,422</u>             | <u>170,766</u>             |
|                       | <u><u>\$ 2,597,175</u></u> | <u><u>\$ 2,669,135</u></u> | <u><u>\$ 2,795,244</u></u> |

#### **11. Pension and retirement plans:**

*Pension plan:*

EMM sponsors a defined benefit pension plan (church plan) which covers all participants eligible to receive benefits as of December 31, 1993. The plan calls for an annual increase in benefits up to 3% each January 1.

The pension plan is a church plan and as such is not subject to the termination requirements of Section 411 of the Internal Revenue Code. Although EMM is not required to fund additional benefits, it may do so at its discretion.

EMM anticipates making payments in the future only as necessary to maintain a positive funded status.

**EASTERN MENNONITE MISSIONS**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2017 AND 2016

(with summarized comparative financial information for the year ended December 31, 2015)

**11. Pension and retirement plans (continued):**

*Pension plan (continued):*

The following sets forth the funded status of the plan and the amounts recognized in the statements of financial position at December 31 and measured at those dates:

|   | <u>2017</u>       | <u>2016</u>       | <u>2015</u>       |
|---|-------------------|-------------------|-------------------|
| Projected and accumulated benefit obligation                                | \$ 1,169,039      | \$ 1,272,927      | \$ 1,395,181      |
| Fair value of plan assets   | <u>1,255,147</u>  | <u>1,419,098</u>  | <u>1,517,631</u>  |
| Funded status   | <u>\$ 86,108</u>  | <u>\$ 146,171</u> | <u>\$ 122,450</u> |
| Pension asset   | <u>\$ 86,108</u>  | <u>\$ 146,171</u> | <u>\$ 122,450</u> |
| Unrecognized component of net periodic pension costs included in net assets | <u>\$ 540,089</u> | <u>\$ 562,741</u> | <u>\$ 563,051</u> |
| Pension cost  | <u>\$ 82,715</u>  | <u>\$ 76,589</u>  | <u>\$ 31,327</u>  |
| Employer contribution   |                   | <u>\$ 100,000</u> |                   |
| Benefits paid   | <u>\$ 260,802</u> | <u>\$ 269,977</u> | <u>\$ 297,338</u> |

Weighted average assumptions used to determine benefit obligations at December 31:

|                               | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|-------------------------------|-------------|-------------|-------------|
| Discount rate                 | 6.0 %       | 6.0 %       | 6.0 %       |
| Rate of compensation increase | 3.0         | 3.0         | 3.0         |

**EASTERN MENNONITE MISSIONS**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2017 AND 2016

(with summarized comparative financial information for the year ended December 31, 2015)

**11. Pension and retirement plans (continued):**

*Pension plan (continued):*

Weighted average rates used to determine net periodic pension cost for years ended December 31:

|  | 2017  | 2016  | 2015  |
|--|-------|-------|-------|
| Discount rate                                    | 6.0 % | 6.0 % | 6.0 % |
| Expected long-term rate of return on plan assets | 6.0   | 6.0   | 6.0   |
| Rate of benefit increase                         | 0.0   | 0.1   | 2.0   |

The estimated amortization of the unrecognized component of net periodic pension costs into pension costs in 2018 is approximately \$6,000.

The basis for the long-term expected rate of return is based on EMM's risk tolerance and historical trends. Since December 31, 1994, the plan has earned approximately 4.9% annually. The expected rate of return has not been adjusted recently, since historically it has not fluctuated above or below that rate significantly and, based on the current asset class mix and risk tolerance, the expected future return is 6%.

EMM's pension plan weighted average asset allocations at December 31, by asset category, are as follows:

| Asset category                | 2017  | 2016  | 2015  |
|-------------------------------|-------|-------|-------|
| Debt securities               | 59 %  | 59 %  | 58 %  |
| Equity securities             | 31    | 31    | 31    |
| Cash and cash equivalents     | 1     | 2     | 3     |
| Other securities:             |       |       |       |
| Commodity funds               | 2     | 3     | 3     |
| Real estate investment trusts | 2     | 2     | 2     |
| Tactical assets               | 5     | 3     | 3     |
|                               | 100 % | 100 % | 100 % |

## **EASTERN MENNONITE MISSIONS**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2017 AND 2016

(with summarized comparative financial information for the year ended December 31, 2015)

#### **11. Pension and retirement plans (continued):**

*Pension plan (continued):*

The overall investment strategy of the plan is to meet the current and future benefit obligations as they come due without having a large payment at the end of the benefit obligations. The target asset class mix is as follows: 60%-70% debt securities and 20%-30% equity securities, with 0%-10% in cash and other securities. This asset class mix is expected to yield a 6% rate of return.

The fair values of assets held in the plan as measured under FASB ASC 820, as described in Note 4, at December 31 are as follows:

| <u>Investments</u>            | <u>2017</u>         | <u>2016</u>         | <u>2015</u>         |
|-------------------------------|---------------------|---------------------|---------------------|
| Level 1 - Quoted prices:      |                     |                     |                     |
| Cash equivalents              | \$ 16,801           | \$ 29,518           | \$ 39,112           |
| Debt securities               | 749,315             | 838,992             | 879,072             |
| Equity securities             | 379,747             | 428,819             | 470,020             |
| Other securities:             |                     |                     |                     |
| Commodity funds               | 20,821              | 46,487              | 48,521              |
| Real estate investment trusts | 24,858              | 27,785              | 30,458              |
| Tactical assets               | 63,605              | 47,497              | 50,448              |
|                               | <u>\$ 1,255,147</u> | <u>\$ 1,419,098</u> | <u>\$ 1,517,631</u> |

**EASTERN MENNONITE MISSIONS**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2017 AND 2016

(with summarized comparative financial information for the year ended December 31, 2015)

**11. Pension and retirement plans (continued):**

*Estimated future benefit payments:*

The following benefit payments are expected to be paid:

|           | <u>Pension<br/>benefits</u> |
|-----------|-----------------------------|
| 2018      | \$ 252,516                  |
| 2019      | 260,329                     |
| 2020      | 266,325                     |
| 2021      | 255,650                     |
| 2022      | 188,952                     |
| 2023-2025 | <u>193,284</u>              |
|           | <u><u>\$ 1,417,056</u></u>  |

*Retirement plan:*

EMM participates in the Mennonite Retirement Plan, a 401(a) defined contribution plan, which is maintained as a "church plan" and sponsored by Mennonite Church USA. For employees based in the United States, the amount contributed for each employee is an amount equal to 6% of the employee's monthly salary. For employees not based in the United States, on January first of each year, contributions will be adjusted based on the annual Consumer Price Index as of the preceding June 30. Contributions to this plan totaled \$230,055, \$229,641 and \$235,639 for the years ended December 31, 2017, 2016 and 2015, respectively.

**EASTERN MENNONITE MISSIONS**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2017 AND 2016

(with summarized comparative financial information for the year ended December 31, 2015)

**12. Temporarily restricted net assets:**

Temporarily restricted net assets are available for the following purposes or are time restricted at December 31:

|   | <u>2017</u>         | <u>2016</u>         | <u>2015</u>         |
|---|---------------------|---------------------|---------------------|
| Advance of support for ministries                       | \$ 2,161,726        | \$ 1,999,957        | \$ 2,415,823        |
| Annuity and charitable remainder<br>unitrust agreements | <u>1,230,235</u>    | <u>1,267,809</u>    | <u>1,329,849</u>    |
|   | <u>\$ 3,391,961</u> | <u>\$ 3,267,766</u> | <u>\$ 3,745,672</u> |

**13. Net assets released from restrictions:**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors in the following periods:

|  | <u>2017</u>         | <u>2016</u>         | <u>2015</u>         |
|--|---------------------|---------------------|---------------------|
| Purpose restrictions accomplished,<br>ministries' expenditures | \$ 3,376,514        | \$ 3,718,485        | \$ 3,685,362        |
| Death of donors  | <u>5,176</u>        | <u>26,827</u>       | <u>2,446</u>        |
|  | <u>\$ 3,381,690</u> | <u>\$ 3,745,312</u> | <u>\$ 3,687,808</u> |



## ***EASTERN MENNONITE MISSIONS***

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2017 AND 2016

(with summarized comparative financial information for the year ended December 31, 2015)

#### **14. MASP employee healthcare assistance benefit program:**

The Organization participates in a self-funded employee healthcare assistance benefit program, Mutual Aid Sharing Program (MASP). MASP is a not-for-profit organization whereby mission and service agencies of the Anabaptist community share with each other the cost of providing healthcare assistance and death expense benefits to their employees.

Under MASP, the Organization is responsible for claims up to the retention amount of \$20,000 per person (retained claims). Claims in excess of the retention amount up to \$250,000 will be pooled with the other agencies. Claims above \$250,000 are reinsured by a stop loss policy that covers all MASP agencies. The stop loss reinsurance defines a claim as the total medical claims per individual per MASP fiscal year (October 1 through September 30). The Organization has expensed an estimate of its retention claims incurred and the monthly payments to MASP for its expected share of pooled claims and administrative costs including stop loss premiums. The payments include the actuarially projected amount to cover claims that exceed the agency retention up to \$250,000. The actual amount may differ from this estimate based on the Organization's and pooled agencies' actual experience.

MASP maintains a reserve fund, which can be drawn upon in the event of a large single claim or a series of large claims or if MASP chooses to allocate a portion of the reserve fund to lower the aggregate shared claims limit. The Organization has determined its estimated share of the reserve fund to be \$379,478, \$303,008 and \$306,056 at December 31, 2017, 2016 and 2015, respectively.

#### **15. Transfer to Lancaster Mennonite Historical Society:**

In August 2016, the Board of EMM passed a resolution to convey a building, Mennonite Information Center, and its contents to the Lancaster Mennonite Historical Society. This action was completed in December 2017 and is reflected in the statement of activities as a transfer to the Lancaster Mennonite Historical Society. This transfer, which reduced net assets by \$602,759, was comprised of net property and equipment totaling \$391,115 and cash totaling \$211,644.

#### **16. Summarized financial information of a prior period:**

The financial statements include certain second prior-year summarized comparative financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with EMM's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

## **EASTERN MENNONITE MISSIONS**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2017 AND 2016

(with summarized comparative financial information for the year ended December 31, 2015)

#### **17. New accounting pronouncement:**

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which provides more relevant information about available resources (and the changes in those resources) to donors, grantors, creditors and other users. The most significant aspects of the ASU are as follows: (1) the ASU replaces the current presentation of three classes of net assets (unrestricted, temporarily restricted and permanently restricted) with two classes of net assets – net assets with donor restrictions and net assets without donor restrictions, (2) the ASU expands the disclosures about the nature and amount of any donor restrictions, board designations of net assets without donor restrictions, as well as any underwater endowment funds, (3) the ASU requires expenses to be presented by nature and function, as well as an analysis of the allocation of these expenses and (4) the ASU requires specific quantitative and qualitative disclosures to improve the ability of financial statement users to assess the entity's available financial resources and the methods by which it manages liquidity and liquidity risk. ASU 2016-14 is to be applied retrospectively and is effective for years beginning after December 15, 2017. The Organization will be evaluating the impact this standard will have on its financial statements and related disclosures.



